

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK In FILE)

Teachers' Retirement System of Louisiana

1998-1999
9800115 11:3:29

5045
96002283
157

Comprehensive Annual Financial Report

A Component Unit
of the
State of Louisiana

Fiscal Year Ended
June 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish court.

Release Date: 10-21-98

Teachers' Retirement System of Louisiana
Comprehensive Annual Financial Report -
A Component Unit of the State of Louisiana
For the Fiscal Year Ended
June 30, 1998

11/15/98 11:3:29

JAMES P. HADLEY, JR.
DIRECTOR

Office Location

Teachers' Retirement System of Louisiana
Third floor
8401 United Plaza Boulevard
Baton Rouge, Louisiana 70809
(504) 925-6446

Mailing Address

Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123
www.trsl.state.la.us

PREPARED BY THE ACCOUNTING AND INVESTMENT DEPARTMENTS
OF THE
TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal5
 Board of Trustees and Ex Officio Members 11
 Administrative Staff.....12
 Professional Consultants13
 Organizational Chart..... 15
 Certificate of Achievement for Excellence in Financial Reporting16
 Public Pension Principles Achievement Award.....17
 Summary of 1997-1998 Legislative Acts18
 Plan Summary.....21

FINANCIAL SECTION

Independent Auditor's Report26
 General Purpose Financial Statements:
 Statements of Plan Net Assets28
 Statements of Changes in Plan Net Assets29
 Notes to the Financial Statements.....30
 Required Supplementary Information:
 Schedule of Funding Progress40
 Schedule of Employer Contributions.....41
 Notes to the Schedules of Trend Information.....42
 Supporting Schedules:
 Schedules of Budgetary Expenses44
 Schedules of Administrative Expenses.....45
 Schedules of Investment Expenses.....46
 Schedules of Board Compensation.....47
 Schedules of Building Maintenance Expenses48
 Schedules of Payments to Consultants49
 Graph-1998 Revenue - Where it Came From.....50
 Graph-1998 Revenue - Where it Went50

INVESTMENT SECTION

Report on Investment Activity.....52
 Investment Policy.....53
 Investment Summary59
 List of Investments.....60
 Net Earnings on Investments130
 Investment Performance Measurements131
 Annual Rates of Return.....132
 Summary Schedule of Commissions Paid To Brokers133

ACTUARIAL SECTION

Actuary's Certification Letter.....134
 Summary of Assumptions.....136
 Actuarial Valuation Balance Sheet138
 Summary of Unfunded Actuarial Liabilities/Salary Test.....139
 Summary of Actuarial and Unfunded Actuarial Liabilities .139
 Reconciliation of Unfunded Actuarial Liabilities140
 Amortization of Unfunded Actuarial Accrued Liability141
 Membership Data.....142
 Historical Membership Data143
 Principle Provisions of the Plan144

STATISTICAL SECTION

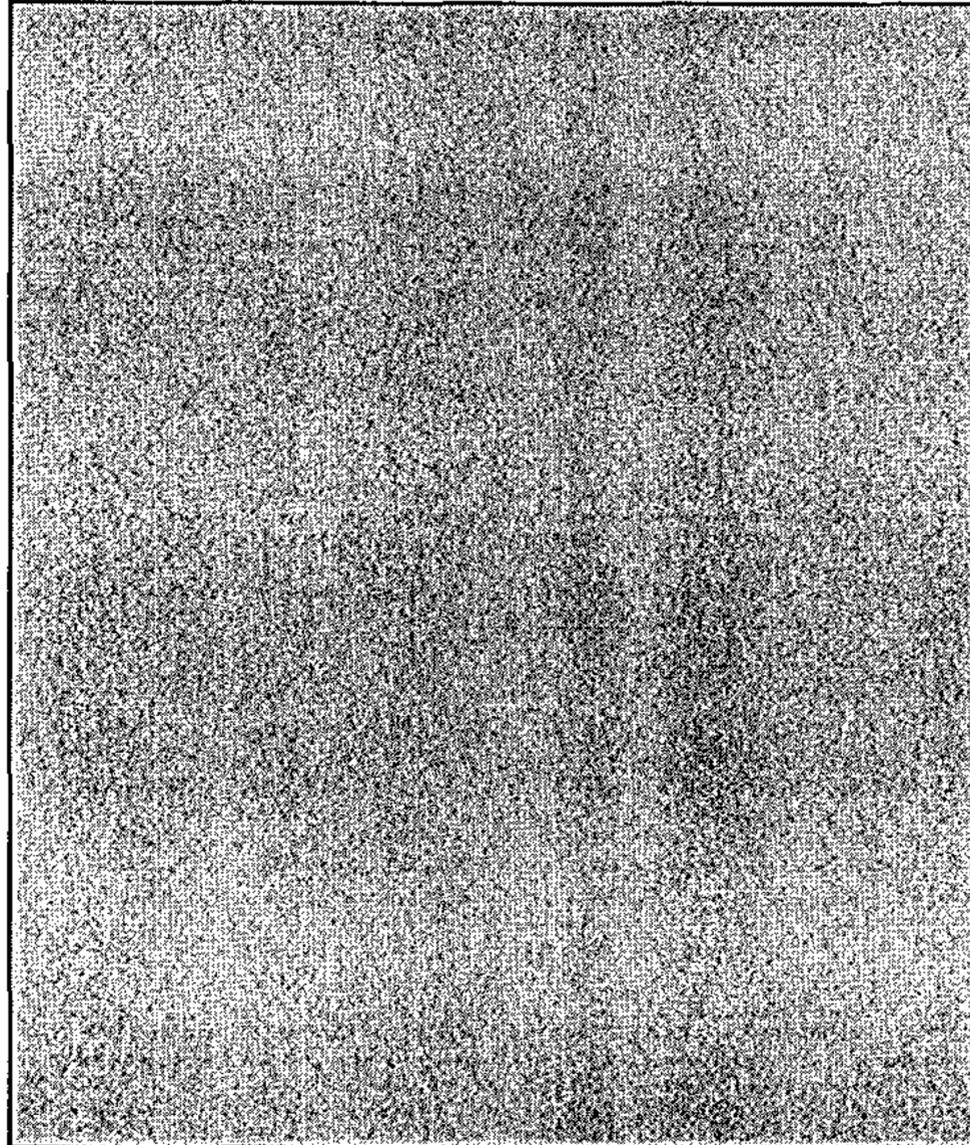
Number of Active, Terminated Vested and Nonvested Members..... 148
 Graph-Number of Active, Terminated Vested and Nonvested Members..... 148
 Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits..... 149
 Graph-Number of Service Retirees, Disability Retirees, and Beneficiaries Receiving Benefits 149
 Number of Benefit Recipients 150
 Graph-Number of Benefit Recipients 150
 Benefit Expenses 151
 Graph-Benefit Expenses 151
 Average Monthly Pension Benefit..... 152
 Number of Refunds of Contributions 152
 Number of Staff Positions..... 152
 Revenues By Source 153
 Expenses By Type 153
 Schedule of Participating Employers..... 154
 Map-State of Louisiana (Total Active Members)..... 156
 Map-Location of TRSL Retirees Worldwide..... 157

ALTERNATIVE RETIREMENT PLANS

Optional Retirement Plan..... 160
 Deferred Retirement Option Plan/Option 5 161

INTRODUCTORY SECTION

- Letter of Transmittal
- Listing of:
 - Board of Trustees
 - Administrative Staff
 - Professional Service Providers
- Organizational Chart
- Awards:
 - Certificate of Achievement for Excellence in Financial Reporting
 - The Public Pension Principles Achievement Award
- Legislative Acts
- Plan Summary



James P. Hadley, Jr.
Director



TEACHERS' RETIREMENT SYSTEM OF LOUISIANA

8401 United Plaza Boulevard 70809
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123
Telephone: 504-925-6446
Fax: 504-925-4258

JAMES P. HADLEY, JR.
DIRECTOR

LETTER OF TRANSMITTAL

October 14, 1998

Board of Trustees
Teachers' Retirement System of Louisiana
Post Office Box 94123
Baton Rouge, LA 70804-9123

Dear Board Members:

The Comprehensive Annual Financial Report of the Teachers' Retirement System of Louisiana (TRSL) for the fiscal year ended June 30, 1998, is submitted as mandated by Louisiana Revised Statute 11:832(B). This law requires that a report be published annually "showing the fiscal transactions of the System for the preceding school year, the amount of the accumulated cash and securities of the System, and the last balance sheet showing the financial condition of the System by means of an actuarial valuation of the assets and liabilities of the retirement system."

Responsibility for the accuracy of financial statements and all disclosures rests with management. To the best of our knowledge and belief, all information is accurate and has been prepared by the accounting staff in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

The Comprehensive Annual Financial Report is divided into six sections as listed below:

The introductory section contains the letter of transmittal, a listing of the Board of Trustees, a listing of the administrative staff and professional consultants, the System's organizational chart, the Certificate of Achievement for Excellence in Financial Reporting, the Public Pension Principles Achievement Award, a summary of 1997-1998 legislative acts, and a plan summary.

The financial section is composed of the Independent Auditor's Report, General Purpose Financial Statements, Notes to the Financial Statements, Required Supplementary Information, and Supporting Schedules.

The investment section is comprised of a report on investment activity, the Investment Policy, Investment Summary, Listing of Investments, Investment Performance Measurements, Annual Rates of Return, a Schedule of Commissions Paid to Brokers, and Net Earnings on Investments.

The actuarial section contains the actuary's certification letter, a Summary of Assumptions, Actuarial Valuation Balance Sheet, and other pertinent actuarial data.

The statistical section displays trend information on selected data, various graphs, and a list of employing agencies that remit contributions to the System.

The alternative retirement plans section contains information on TRSL's three optional retirement structures: the Optional Retirement Plan (ORP), the Deferred Retirement Option Plan (DROP), and Option 5.

DEFINITION AND PURPOSE OF THE ENTITY

The Teachers' Retirement System of Louisiana, a defined benefit pension plan, was established by legislation on August 1, 1936, to provide retirement allowances and other benefits for Louisiana teachers. TRSL is governed by a Board of Trustees; and all invested funds, cash, and property are held in the name of TRSL for the sole benefit of the membership.

ECONOMIC CONDITIONS AND OUTLOOK

The national economy continues to remain in good shape, even with the Asian economy still in a slump. With the nation's top two trading partners, Mexico and Canada, out of their recession mode and expected to be performing reasonably well, Louisiana can expect its economy to remain on a steady, but somewhat slower, climb. The continued confidence in the national economy and the optimistic belief that the situation overseas is only for the short term is evident in the fact that the petrochemical industry in Louisiana continues to embark on massive expansions and the addition of new jobs. This confidence and optimism has allowed TRSL to achieve positive growth in both the total dollar value of its assets and in the rate of return on investing those assets. Our ability to pay the second cost-of-living adjustment from the System's experience account since its inception in 1992 is a testament to the continued wise investment strategies of the System and of our dedication to maximizing investment earnings to pay current and future benefits of our membership.

MAJOR INITIATIVES

For the Year:

This year marked the transition from a dual custodian concept, domestic and international, to a single global custodian. Visits were made by the Board's selection committee to each of the finalists to evaluate their operations. The finalists were then asked to make presentations to the Investment Committee before a final decision was made on the new global custodian.

Our imaging project has gone into full swing. The staff now processes all enrollment forms, beneficiary forms, and refund application forms for those members with less than eight years of service credit through the imaging system.

TRSL has also begun preparations to assure that all computer programs are year 2000 compliant. We are fortunate that our in-house system was developed with the year 2000 in mind and its code was written to accommodate a four-digit year. Some programs written later, however, were not. The Management Information Systems Department has begun to inventory all programs and to identify all code that must change for a smooth transition into the year 2000.

Business Continuity Plans (BCP) are the disaster deterrent buzzwords in the business world today. We have begun development of a BCP to ensure that TRSL members would continue to receive service should a disaster affect our computer system, building, or geographic area.

For the Future:

TRSL will pay the second cost of living adjustment (COLA) out of its experience account on July 1, 1998. Of the 42,445 retirees on the registers, approximately 40,379 are eligible and will receive an increase in their monthly benefit. The average increase will be approximately \$60 per month with the highest individual increase being \$189 per month.

TRSL will continue to expand the database included in the imaging system with the next major effort being the processing of active member death payments. This effort will mark the first process implemented that was fully programmed by our own computer staff.

The identifying and re-writing of computer programs for year 2000 compliance is scheduled to be completed by April, 1999.

TRSL is looking into establishing videoconference sites across the state which would allow staff to have face-to-face counseling with members. This would reduce the number of trips required by staff for statewide counseling and allow members the advantage of counseling without traveling to our office.

The Business Continuity Plan should be near completion and actual testing of the plan should begin in 1999.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Our staff has an enormous task in making sure that our membership is serviced properly.

During the year, TRSL paid more than \$611.6 million in benefits to retirees, survivors, and beneficiaries. A total of 499,857 checks and

electronic fund transfers were processed for these benefits. In addition, distributions totaling \$52.5 million were made to participants in the Deferred Retirement Option Plan and the Option 5 program.

The average monthly benefit of a retiree at the end of this fiscal year was \$1,224, an increase of 2 percent from the June 1997 benefit of \$1,199. The average monthly withdrawal from accounts of DROP retirees was \$535, an increase of 2 percent from the June 1997 withdrawal of \$523. A total of 653 DROP recipients elected to use rollover provisions to transfer their funds to an I.R.A. (or qualified plan), and 301 members elected to receive single-sum distributions from their Option 5 accounts, rather than a monthly withdrawal.

Refunds were issued to 4,534 members and beneficiaries of deceased members. Of this number, 999 used rollover provisions to tax shelter their refunds.

During the year, members received individual counseling on the various retirement options, including the DROP and Option 5 programs. Cost computations for service purchases were provided to over 1,370 members, and 3,594 calculations of estimated retirement benefits were completed during the fiscal year. A total of 2,865 members retired; 1,827 members entered DROP; and 159 members elected to retire under the provisions of Option 5 during the fiscal year.

Preretirement workshops were conducted throughout the state to assist our members in understanding and selecting their retirement choice. Experts ranging from certified public accountants and financial consultants to older retirees are invited to participate and discuss issues that affect our members when they retire. Speakers address issues such as the psychological aspects of retiring, financial planning for retirement, estate planning, and Social Security pension offsets. These workshops enable TRSL to provide our membership with a well-rounded introduction to retirement. This fiscal year, our two retirement field representatives held 97 workshops, which were attended by 4,299 members.

TRSL strives to provide superior support to its members. This is partially reflected by reviewing the number of documents that required processing. Last year, our staff processed 7,665 enrollments for new members; 6,327 changes of employment; 10,942 changes of beneficiaries; and 922 name changes due to marriage or divorce; and made 20,226 corrections to the monthly employer contribution reports. Earnings limits were computed for 4,805 retirees who returned to work in the teaching profession under the various laws that govern earnings after retirement. A total of 11,120 transactions were entered into the computer for retiree benefit and DROP payments. These transactions involved address changes, federal withholding changes, federal tax levies, child support orders, bankruptcy papers, divorce decrees, and direct deposits.

Other indications of support to members are the number of incoming and outgoing phone calls for retirement-related business, the number of personal visits, and the volume of mail processed. This fiscal year 106,163 phone calls were received, and almost 4,000 members visited TRSL's office to speak with staff and to obtain information on retirement planning, refund of contributions, tax withholding, or benefit options. Over 161,000 pieces of incoming mail were processed by the TRSL mailroom. In response to these needs, staff requested a total of 28,437 member files for review, and 37,035 items of correspondence were added to the folders. There were 635 requests to research microfilmed records. An estimated 846,400 pieces of correspondence were mailed to members, employing agencies, and retirees.

With the implementation of our imaging system, TRSL staff will have immediate access to member records. As more records are imaged, our response time to questions over the telephone and through correspondence will be greatly reduced. A total of 13,059 member files have been scanned and imaged. The imaging workflow process allows new imaged documents to be viewed and processed onto our in-house computer system at the same time. The workflow process brings up all relevant documents and data entry screens needed to complete the processing. More than 35,000 incoming documents have been scanned and indexed into our imaging workflow process.

In order to facilitate and enhance the processing of data vital to the membership, TRSL prints its own forms. This past year, TRSL processed 130 print requests totaling over 271,000 forms.

Ensuring that our membership stays informed is one of TRSL's primary objectives. In addition to the methods previously mentioned, TRSL also produces brochures that explain the different benefits the System offers, the technicalities of service eligibility and benefit computation, the Deferred Retirement Option Plan, the Optional Retirement Plan, disability and survivor benefits, and return-to-work provisions, just to name a few. Newsletters are published for both our active and retired members to provide them with current relevant information. A major publication, in which TRSL takes pride, is the annual report. This report is distributed to employing agencies, the Senate and House Retirement committees, the legislative auditor's office, financial institutions, investment managers, and other interested parties.

An additional method TRSL uses to keep the membership informed is by keeping the employers informed. During the fiscal year, TRSL provided employer-training classes. TRSL also has an employer newsletter, "The Key," which is sent quarterly to all employers of TRSL members. The training classes and "The Key" are used to keep employers updated on changes in retirement laws, upcoming reporting deadlines, or other information that could be useful in meeting our members' needs.

TRSL maintains agency vehicles that staff members use to attend various preretirement and area educational programs, conduct field audits, and perform other membership related functions. Staff traveled almost 28,000 miles throughout the state using agency vehicles without a single accident. TRSL is indeed proud of this safety record.

TRSL's investment department remained a hub of activity throughout the year. Over 2,749 individual stock trades were executed by staff, an average of over 229 trades per month. During the year, TRSL purchased more than 32.5 million shares of stock and sold over 46.9 million shares of stock. In addition, \$1,250,000,000 in private equity partnership investments was authorized with \$53,531,333 already invested.

CONTROLS

In accordance with Board and management's goals and policies, TRSL maintains a system of internal controls that provides reasonable assurance that all assets are properly safeguarded, all resources are efficiently and economically employed, and all financial information is reliable and accurate. To achieve these objectives, TRSL uses advanced computer technology, places emphasis on continuing education for its staff, and employs numerous checks and balances within the control environment, including a fully-staffed internal audit department. An operating budget for administrative expenses is prepared each year and submitted for review and approval by the Board of Trustees. Any changes to the budget during the year must also receive the approval of the Board.

ADDITIONS TO PLAN NET ASSETS

TRSL had revenues of \$2,265,529,897 for fiscal year 1998, an increase of \$416,903,996 or 23 percent over the prior year. Revenues were derived from member and employer contributions, investment earnings (less external management investment fees), and state general fund appropriations for supplementary benefits for retirees. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Funds are maintained for the exclusive benefit of all members. The main increase in revenue was due to the performance of the investment portfolio.

	<u>1998</u>	<u>1997</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percentage</u>
Member Contributions	\$ 208,275,106	\$ 191,704,402	\$ 16,570,704	9%
Employer Contributions	422,452,766	387,153,226	35,299,540	9%
ORP Contributions Retained	27,318,857	24,551,761	2,767,096	11%
Net Investment Income	1,606,741,489	1,244,291,864	362,449,625	29%
Other Operating Revenues	<u>741,679</u>	<u>924,648</u>	<u>(182,969)</u>	20%
Total	<u>\$2,265,529,897</u>	<u>\$1,848,625,901</u>	<u>\$416,903,996</u>	23%

DEDUCTIONS FROM PLAN NET ASSETS

Expenses totaled \$692,213,360 in fiscal year 1998, an increase of \$29,612,807 or 6 percent over fiscal year 1997. The major expenses were benefits paid to retirees and refunds paid to terminated members.

	<u>1998</u>	<u>1997</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percentage</u>
Retirement Benefits	\$664,147,264	\$624,736,789	\$39,410,475	6%
Refunds of Contributions	21,360,841	20,869,261	491,580	2%
Administrative Expenses	6,173,891	5,565,516	608,375	11%
Other Operating Expenses	<u>531,364</u>	<u>418,534</u>	<u>112,830</u>	27%
Total	<u>\$692,213,360</u>	<u>\$651,590,100</u>	<u>\$40,623,260</u>	6%

FUNDING

The actuary determines the annual funding requirements needed to meet current and future benefit obligations. Elements that comprise actuarial contributions are normal cost and amortization of the unfunded accrued liability. Employers are required to pay the percentage of total payroll equal to the normal cost plus an amount sufficient to amortize the unfunded liability by the year 2029. The required contribution is converted to a percentage of total payroll.

The employer contribution rate, established by the Public Retirement Systems' Actuarial Committee, was 16.4 percent for 1997-1998 and will be 16.5 percent for 1998-1999. The member contribution rate for both years remains 8 percent.

At June 30, 1998, the last valuation date, the System was 67.2 percent funded, compared to 62.7 percent funded at June 30, 1997.

FIDUCIARY RESPONSIBILITY

The best interest of the membership is of paramount importance to the System, and all duties of the Board and management are performed in accordance with their fiduciary responsibility. There can be no conflict of interest concerning the membership; the highest standards of ethical management must be met; assets must be managed prudently; and the best legal and investment expertise must be employed in deciding on the use of funds.

CASH MANAGEMENT

TRSL's cash management program is designed to achieve the fastest possible utilization of cash receipts in order to enhance the earnings of the System. This program is also designed to control and manage disbursements in a manner that is economically beneficial to the System.

In order to accelerate receipt of contributions from the employing agencies, TRSL promotes wire transfers directly to the System's bank account. For those employers who do not wire funds, TRSL provides self-addressed, bar-coded envelopes to reduce mail and processing time. Individual checks received from members at the TRSL office are deposited daily.

Disbursement procedures, designed to lengthen float and minimize idle cash, range from overnight investments to zero-balance concentration bank accounts. The investment department maximizes returns on cash balances by purchasing high-quality, short-term instruments through money market accounts, U.S. Treasury securities, repurchase agreements, commercial paper, and bank certificates of deposit.

Debit programs are in place to retrieve funds transferred to retirees' bank accounts after their deaths. The System is also capable of placing stop-payments on checks via computer.

TRSL continues to search for new and innovative methods to control and manage its cash.

INVESTMENTS

As the state's largest public retirement system, TRSL is responsible for the prudent management of \$10.4 billion held in trust for our members' pension benefits. With a portfolio of this size, diversification to reduce risk is evident in every area of the allocation of assets. TRSL utilizes both domestic and international stocks, bonds, currency futures, real estate trusts, private equity partnerships, mezzanine funds, lending of securities, and short-term investments to provide the diversification necessary to control risks. Diversification is fine-tuned even further by breaking down the previously mentioned categories into growth, value, and income-producing stocks, corporate bonds, U.S. Treasuries, Ginnie Maes, etc. For fiscal year 1998, investments provided an 18.3 percent return with the 3 year and 5 year averages at 16.6 percent and 13.3 percent, respectively. A more detailed list of investment performance can be found on page 130. For a complete listing of individual investments, please refer to pages 60 through 128. The Investment Policy of this system can be found on pages 53 through 58.

INDEPENDENT AUDIT

A financial and compliance audit is performed each year by an independent certified public accounting firm. The current auditors are Hawthorn, Waymouth & Carroll, L.L.P. located in Baton Rouge, Louisiana. The audit of the financial statements is performed in accordance with generally accepted auditing standards and *Government Auditing Standards* as issued by the Comptroller General of the United States.

AWARDS

For the seventh consecutive year, the Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of Louisiana for its comprehensive annual financial report for the fiscal year ended June 30, 1997. The Certificate of Achievement is the highest form of recognition in the area of public employee retirement systems' accounting and financial reporting, and its attainment represents a significant accomplishment by TRSL's staff.

As a Certificate of Achievement is valid for only one year, we are submitting this report to GFOA for consideration for this fiscal year's award. We believe our current report continues to conform to the Certificate of Achievement program requirements.

In addition, TRSL has received the Public Pension Principles Achievement Award for the year ended June 30, 1996. This award covers a two-year period and is given by the Public Pension Coordinating Council to public employee retirement systems in recognition of the achievement of high professional standards in the areas of benefits, actuarial valuations, financial reporting, investments, and disclosures to members.

TRSL has again received civic awards this past year for contributions made by our staff to the community. The System received the first place award from the March of Dimes/Walk America Organization for donating the largest amount of money per capita in the state government category and received the second place award for the second largest donation made by all agencies that participated in the state government category. Our employees donated their time, their talents, and successfully raised almost \$4,300. This money will be used for research to eliminate birth defects for current and future generations.

ACKNOWLEDGEMENTS

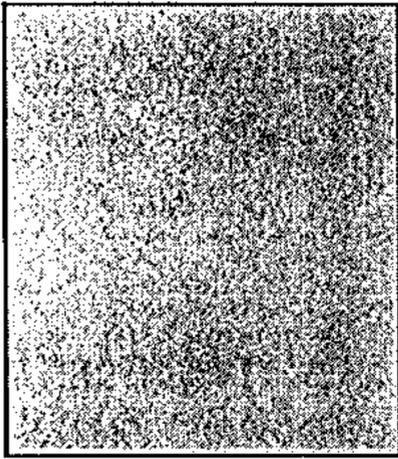
To the Board of Trustees, we sincerely extend a big "Thank You" for your support and dedication to our membership and your staff. Under your leadership, this system continues to grow and prosper for the good of all its members. We also thank our dedicated staff for their commitment to provide superior service and for their hard work and diligence. It is this professional "team effort" that makes production of our annual report both possible and a pleasure.

Sincerely,

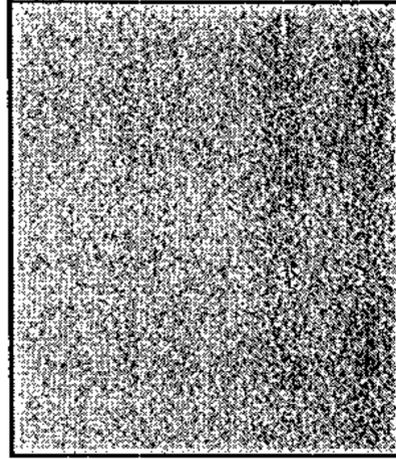
James P. Hadley, Jr.
Director

Dana L. Vicknair
Accountant Administrator

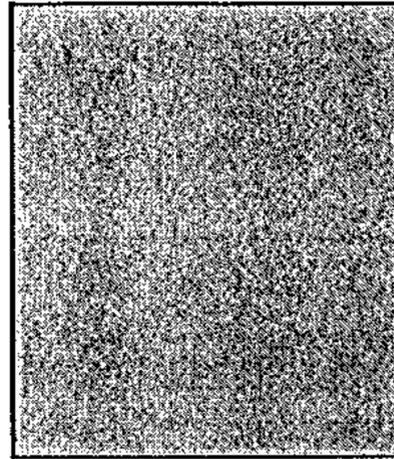
BOARD OF TRUSTEES



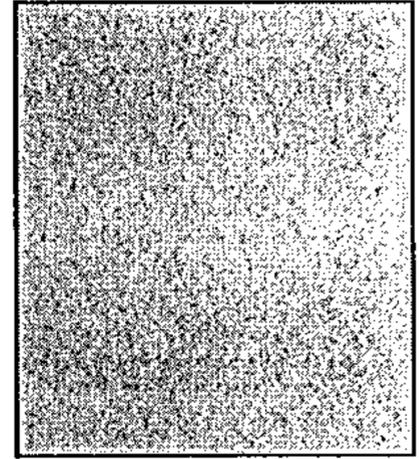
William C. Baker, Ed.D.
Board Chairman
Baton Rouge, Louisiana
Retired Teachers
Term expires 12/31/02



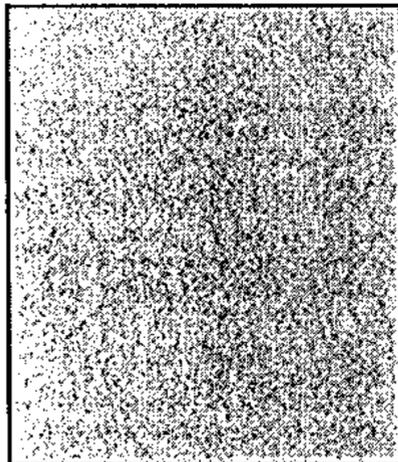
Jerry J. Baudin, Ph.D.
Board Vice Chairman
Baton Rouge, Louisiana
Colleges & Universities
Term expires 12/31/02



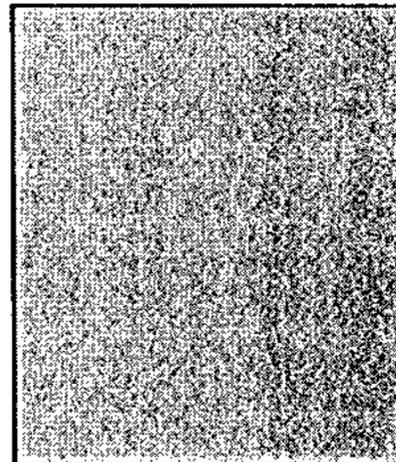
Lawrence J. Moody, Jr.
Harvey, Louisiana
1st District
Term expires 12/31/98



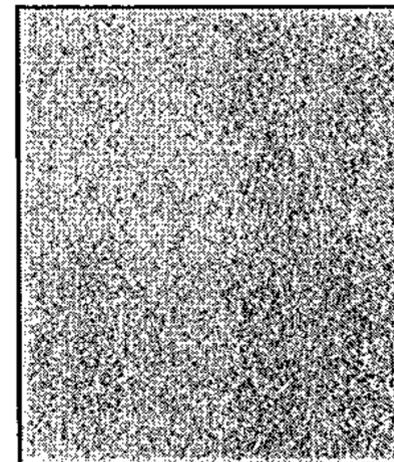
Eula M. Beckwith
New Orleans, Louisiana
2nd District
Term expires 12/31/99



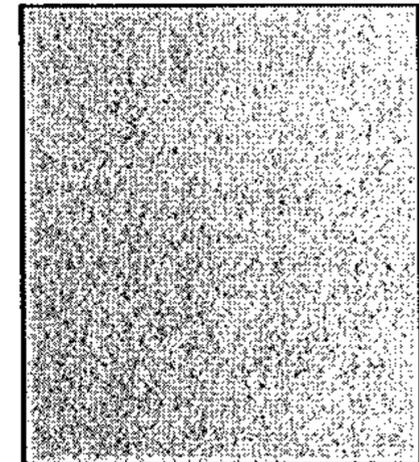
Clyde F. Hamner
Houma, Louisiana
3rd District
Term expires 12/31/99



S. L. Slack
Shreveport, Louisiana
4th District
Term expires 12/31/99



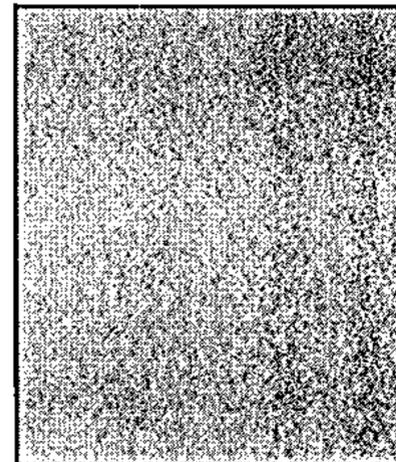
Diane R. Holland
Tallulah, Louisiana
5th District
Term expires 12/31/00



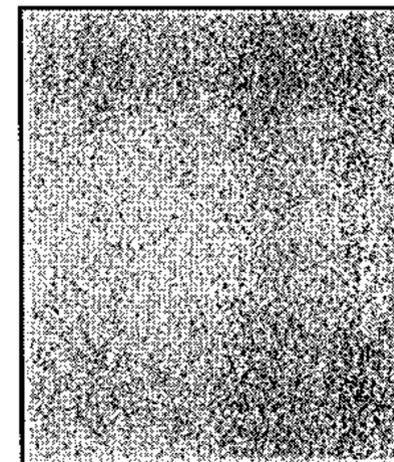
James T. Stewart
Pineville, Louisiana
6th District
Term expires 12/31/00



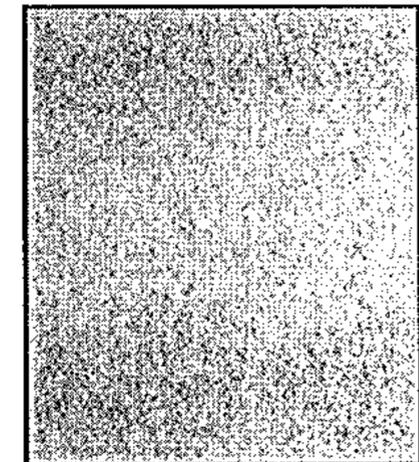
Sheryl R. Abshire
Lake Charles, Louisiana
7th District
Term expires 12/31/98



Thomas W. McCall
Grand Chenier, Louisiana
Superintendents
Term expires 12/31/98

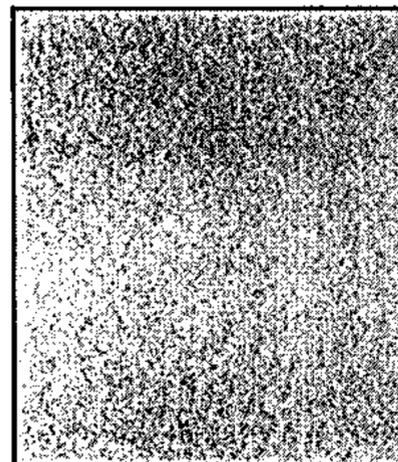


Anne H. Baker
Baton Rouge, Louisiana
Retired Teachers
Term expires 12/31/01

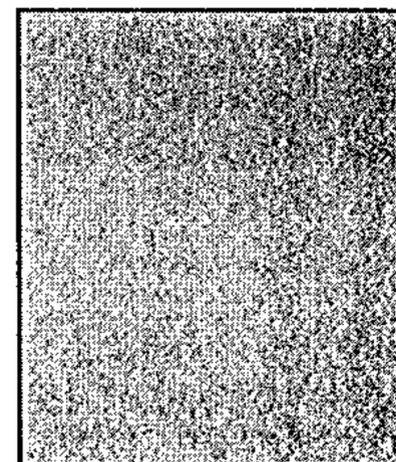


Syble T. Jones
Alexandria, Louisiana
School Food Service Workers
Term expires 12/31/01

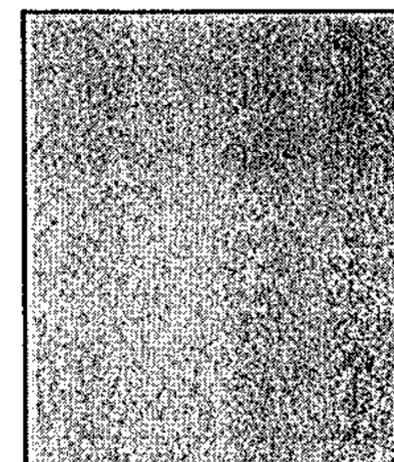
EX OFFICIO MEMBERS



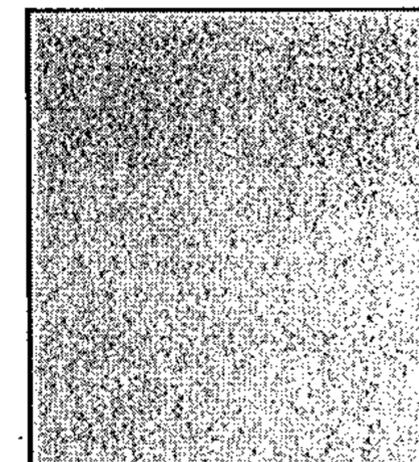
Honorable Cecil J. Picard
State Superintendent of Education



Honorable Kenneth A. Duncan
State Treasurer



Honorable Victor T. Stelly
Chairman, House Retirement
Committee



Honorable Francis C. Heitmeier
Chairman, Senate Retirement
Committee

ADMINISTRATIVE STAFF

James P. Hadley, Jr.
Director

Bonita B. Brown, CPA
Assistant Director

Graig A. Luscombe
Assistant Director

William T. Reeves, Jr.
General Counsel

Liz Guidry-Saizan
Executive Secretary

Dana Vicknair
Accountant Administrator

Sally Cook, CPA
Audit Supervisor

Maurice Winker
Information Systems Center Manager

Dan Bryant
Chief Investment Officer

Evelyn Sistrunk
Retirement Benefits Manager

Keith Kent
Administrative Manager

Debbie Cannon
Communications Director

Doris Dumas
Education Field Manager

Trudy Adrian
Human Resource Director

PROFESSIONAL CONSULTANTS**ACTUARY**

Hall Actuarial Associates
1433 Hideaway Court
Baton Rouge, LA 70806

AUDITOR

Hawthorn, Waymouth & Carroll,
L.L.P.
Certified Public Accountants
Suite 200
8555 United Plaza Boulevard
Baton Rouge, LA 70809

TAX ACCOUNTANT

Postlethwaite & Netterville, APAC
Certified Public Accountants
Suite 1001
8550 United Plaza Boulevard
Baton Rouge, LA 70809

LEGAL CONSULTANTS

Jones, Day, Reavis and Pogue
Post Office Box 660623
Dallas, TX 75266

Law Offices of Randy P. Zinna
8732 Quarters Lake Road
Baton Rouge, LA 70809

Long Law Firm, L.L.P.
Two United Plaza
Suite 800
8550 United Plaza Boulevard
Baton Rouge, LA 70809-7013

MEDICAL EXAMINERS

Richard Burroughs, M.D.
Medical Director, Cancer Service
General Health System Foundation
449 Westmoreland Drive
Baton Rouge, LA 70806

Jack Clayton, M.D.
5425 Brittany Drive
Baton Rouge, LA 70808

N. James Doll, M.D.
Suite 312
7777 Hennessy Boulevard
Baton Rouge, LA 70808

Herbert R. Dyer, Jr., M.D.
8415 Goodwood Boulevard
Baton Rouge, LA 70806

Richard H. Gold, M.D.
Suite 709
7777 Hennessy Boulevard
Baton Rouge, LA 70808

Anthony Ioppolo, M.D.
Suite 10000
7777 Hennessy Boulevard
Baton Rouge, LA 70808

Herbert K. Plauche, M.D.
7443 Picardy Avenue
Baton Rouge, LA 70808

H. Guy Riche', Jr., M.D.
Suite 319
929 Government Street
Baton Rouge, LA 70802

Ginger Shows, M.D.
Suite 105
7777 Hennessy Boulevard
Baton Rouge, LA 70808

Lawrence D. Wade, M.D.
Suite 1-C
3060 Valley Creek Drive
Baton Rouge, LA 70808

William R. Williamson, M.D.
550 Connell's Park Lane
Baton Rouge, LA 70806

DOMESTIC FIXED INCOME ADVISOR

Trust Company of the West
Suite 1800
865 South Figueroa Street
Los Angeles, CA 90017

DOMESTIC EQUITY ADVISORS

Brinson Partners, Incorporated
Suite 113
209 South LaSalle Street
Chicago, IL 60604-1295

The Boston Company Institutional
Investors
Suite 400
400 South Hope Street
Los Angeles, CA 90071

Furman Selz Capital Management,
Incorporated
10th Floor
230 Park Avenue
New York, NY 10169

Liberty Investment Management
Suite 500
2502 Rocky Point Drive
Tampa, FL 33607

Loomis Sayles
Suite 200
2001 Pennsylvania Avenue NW
Washington, DC 20006

MacKay Shields
37th Floor
9 West 57th Street
New York, NY 10019

STI Capital Management
Post Office Box 3786
Orlando, FL 32802

SMALL-MID CAP ADVISORS

The Boston Company
13th Floor
One Boston Place - 024-013A
Boston, MA 02108-4402

Fleet Financial Advisors
75 State Street, MA BO F07E
Boston, MA 02109-1810

PROFESSIONAL CONSULTANTS (Continued)

SMALL-MID CAP ADVISORS

(Continued)

G. D. Bjurman & Associates
Suite 550
14785 Preston Road
Dallas, TX 75240

Mississippi Valley Advisors
Suite 2100
One Mercantile Center
Post Office Box 387
St. Louis, MO 63166-0387

NM Capital Management
Incorporated
Suite 950
6501 Americas Parkway NE
Albuquerque, NM 87110-5372

Scudder Kemper Investment
Incorporated
26th Floor
345 Park Avenue
New York, NY 10154-0010

Trust Company of the West
865 South Figueroa Street
Los Angeles, CA 90017

Wellington Management Company
75 State Street
Boston, MA 02109

**GLOBAL FIXED INCOME
ADVISORS**

Back Bay Advisors, L.P.
399 Boylston Street
Boston, MA 02116

Delaware Investment Advisers
One Commerce Square
Philadelphia, PA 19103

Fountain Capital Management
Incorporated
Suite 1150
9225 Indian Creek Parkway
Overland Park, KS 66210

Loomis, Sayles & Company, L.P.
Suite 200
2001 Pennsylvania Avenue
Washington, D.C. 20006

MacKay Shields
9 West 57th Street
New York, NY 10019

Nicholas/Applegate
Suite 1100
1990 Post Oak Boulevard
Houston, TX 77056-3890

Rogge Global Partners, Incorporated
Suite 12
1720 Post Road East
Westport, CT 06880

Strategic Fixed Income
Suite 1720
1001 19th Street North
Arlington, VA 22209

Wellington Management Company
1201 West Peachtree Street
Atlanta, GA 30309

**INTERNATIONAL EQUITY
ADVISORS**

Harbor Capital Management
125 High Street
Boston, MA 02110-2701

Invista Capital Management,
Incorporated
1800 Hub Tower
699 Walnut
Des Moines, IA 50309

Mellon Equity
Suite 3700
500 Grant Street
Pittsburgh, PA 15258-0001

RhumbLine Advisers
30 Rowes Wharf
Boston, MA 02110-3326

Scudder Kemper Investments
Incorporated
345 Park Avenue
New York, NY 10154-0010

Smith Barney Incorporated
25th Floor
388 Greenwich Street
New York, NY 10013

TT International
2nd Floor, Martin House
5 Martin Lane
London EC4R ODP

WorldInvest Limited
25th Floor
780 Third Avenue
New York, NY 10017-2024

**SECURITIES LENDING
ADVISORS**

Boston Global Advisors Incorporated
Oliver Street Tower
Suite 1700
125 High Street
Boston, MA 02110-2704

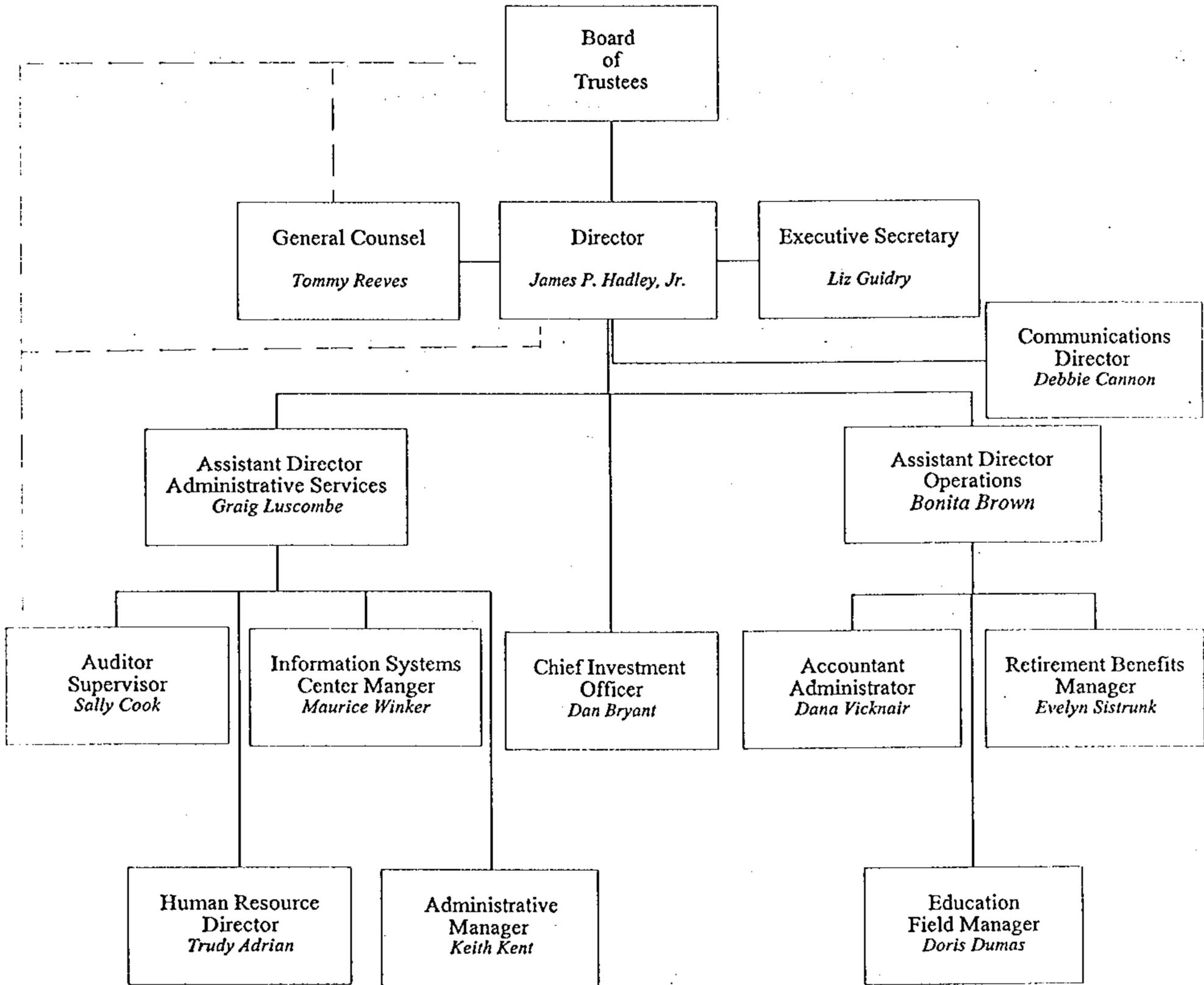
Custodial Trust Company
101 Carnegie Center
Princeton, NJ 08540-6231

Euro Brokers Incorporated
Suite 8400
Two World Trade Center
New York, NY 10048-0697

GLOBAL CUSTODIAN

Bankers Trust Company
Suite 3000
909 Fannin Street
Houston, TX 77010

ORGANIZATIONAL CHART



SUMMARY OF 1997-1998 LEGISLATIVE ACTS

The following is a brief synopsis of 1998 legislative action which affects members of Teachers' Retirement System of Louisiana.

A. TEACHERS' RETIREMENT SYSTEM OF LOUISIANA - TITLE 11

1. Act 136 of 1997 [Enacts R.S. 11:783(J)]

This Act allows a member to name a totally and permanently disabled child as a beneficiary and provides that the benefits will be paid into a proper trust under Louisiana Law.

(Effective July 1, 1997)

2. Act 1133 of 1997 [Amends and Reenacts R.S. 11:721.1]

This Act provides that the director and staff members of the Associated Professional Educators of Louisiana shall have a one-time irrevocable option to not be in Teachers' Retirement System of Louisiana.

(Effective July 1, 1997)

3. Act 1228 of 1997 [Enacts R.S. 11:791(A)(4) and (5)]

This Act allows DROP retirees to teach up to ten (10) days a month in adult education, or as a LEAP remediation teacher without suspension of their retirement benefits.

(Effective July 1, 1997)

4. Act 1394 of 1997 [Enacts R.S. 11:783(J)]

This Act allows certain DROP participants to change their optional beneficiaries from a child to a spouse during their DROP participation period.

(Effective August 15, 1997)

5. Act 1435 of 1997 [Amends and Reenacts R.S. 11:123]

This Act provides for the method of paying the independent actuary of the Public Retirement Systems' Actuarial Committee.

(Effective August 15, 1997)

6. House Concurrent Resolution NO. 17

This House Concurrent Resolution urges and directs all state and statewide retirement systems to furnish the Legislative Actuary with an annual report of all investments in derivative products.

B. 1997 LEGISLATION AFFECTING STATE AND STATEWIDE SYSTEMS - TITLE 11

1. Act 8 of 1997 [Enacts R.S. 11:165]

This Act allows state and statewide retirement systems to pay funds to a surviving spouse or major child in accordance with R.S. 9:1515. The amount cannot exceed Six Thousand Dollars (\$6,000).

(Effective July 1, 1997)

SUMMARY OF LEGISLATIVE ACTS (Continued)

2. Act 104 of 1997 [Amends and Reenacts R.S. 11:162(C)]

This Act corrects membership requirements for part-time, seasonal, or temporary employees who after July 1, 1991, earn ten (10) or more years of service credit in their retirement system.

(Effective July 1, 1997)

3. Act 188 of 1997 [Amends and Reenacts R.S. 11:762(B)(1)]

This Act changes the computation of survivor benefits, to delete the projection of the benefit to age sixty (60), and to provide a benefit based on the member's actual years of service credit at 2 1/2% per year.

(Effective July 1, 1997)

4. Act 812 of 1997 [Amends and Reenacts R.S. 11:701(25) and (26), 762(C), 779(A)(2), (B)(1), and (C), 780(B), 873(2), 879 and 896; Enacts R.S. 11:883.2; Repeals R.S. 11:890 and 891

This Act makes technical changes to the following:

- a. Amends R.S. 11:701(25) and (26) to clarify the definition of "minor child" and "student."
- b. Amends R.S. 11:762(C) to delete unnecessary language contained in the Section providing benefits to minor children.
- c. Amends R.S. 11:779 to clarify the survivor benefits payable to minor children of a deceased disability retiree.
- d. Amends R.S. 11:780(B) concerning notarized annual earnings statements for certain disability retirees.
- e. Amends R.S. 11:873 to delete reference to interest in the annuity savings fund.
- f. Amends R.S. 11:879 to delete reference to interest in the pension reserve fund.
- g. Enacts R.S. 11:883.2 to clarify that cost-of-living adjustments do not decrease supplemental benefits.
- h. Amends R.S. 11:896 to clarify the method of correcting membership errors.
- i. Repeals R.S. 11:890 and 891 which were obsolete.

(Effective July 1, 1997)

5. Act 981 of 1997 [Amends and Reenacts R.S. 11:761 and 768]

This Act changes the twenty-year retirement for those persons who become members of Teachers' Retirement System of Louisiana on and after July 1, 1999. Those persons may receive a twenty-year retirement at any time prior to age sixty based on an actuarially reduced 2 1/2% per year formula. Also allows those persons to receive a 2 1/2% per year retirement benefit at age 60 with at least ten (10) years of service.

(Effective July 1, 1997)

6. Act 1202 of 1997 [Amends and Reenacts R.S. 11:708(A)(1) and 728(B)(1) and (F)]

This Act allows a non-DROP/Option 5 retiree to be employed up to ten (10) years in a school system where there is a shortage of qualified teachers. It also provides for the actuarial purchase of teaching service credit in the public schools of U.S. possessions, or at any elementary or secondary schools on any United States military base.

(Effective July 1, 1997)

7. Act 1217 of 1997 [Amends and Reenacts R.S. 11:181(A)]

This Act provides that Board members of the state systems will receive per diem for each day that they attend an official board meeting or committee meeting.

(Effective July 1, 1997)

SUMMARY OF LEGISLATIVE ACTS (Continued)

- 8. Act 1353 of 1997 [Amends and Reenacts R.S. 11:701(5)(a) and (c) and (9), 723, 728(B)(1) and (F), and 752(D); Enacts R.S. 11:751**

This Act makes the following statutory changes:

- a. Amends R.S. 11:701 to define "average compensation" as the highest three successive or joined years of employment. It deletes "uniform" from the limitations on increases to average compensation. It also clarifies what is not included as earnable compensation.
- b. Amends R.S. 11:723 to provide administrative relief in certain circumstances to the thirty-day (30-day) limitation for members of Teachers' Retirement System of Louisiana to elect to remain members of the system when they change employment. It also allows certain persons to transfer back to Teachers' Retirement System of Louisiana during calendar year 1998.
- c. Amends R.S. 11:728 to provide for the actuarial purchase of teaching service credit in the public schools of U.S. possessions, or at any elementary or secondary schools on any United States military base.
- d. Enacts R.S. 11:751 to provide for rounding of certain service credit.
- e. Amends R.S. 11:752 to provide that all unused sick leave not paid by the employer will be converted to service credit.

(Effective July 1, 1997)

PLAN SUMMARY

Teachers' Retirement System of Louisiana (the "System") was established August 1, 1936, to provide members with a retirement allowance. On July 1, 1971, the Orleans Teachers' Retirement Fund merged into the Teachers' Retirement System of Louisiana. On January 1, 1979, members of the Louisiana State University Retirement System were transferred to both the Teachers' Retirement System of Louisiana and the Louisiana State Employees' Retirement System. On July 1, 1983, Louisiana School Lunch Employees' Retirement System was merged into this System. The Louisiana School Lunch Employees' Retirement System contained two plans: Plan A - for members who are employed by the school system and who are not covered by the Social Security system; and Plan B - for members who are employed by the school system and who are covered by the Social Security system.

BENEFIT PROVISIONS

A. ELIGIBILITY REQUIREMENTS

The System provides retirement benefits as well as disability and survivor benefits. Ten years of service credit is required to become vested for retirement benefits and five years to become vested for disability and survivor benefits.

Those employees who meet the legal definition of a "teacher" are eligible for membership. Louisiana Revised Statutes 11:701(23)(a) states:

"... any employee of a city or parish school board, parish or city superintendent, or assistant superintendent of public schools, president, vice president, dean, teacher, guidance counselor, or an unclassified employee at any state college or university or any vocational-technical school or institution or special school under the control of the State Board of Elementary and Secondary Education, or any educational institution supported by and under the control of the state or any parish school board, full-time unclassified employees of boards created by Article VIII of the Constitution of Louisiana who became employed on or after July 1, 1991, provided that such persons employed on and after July 1, 1991, who are members of the Louisiana State Employees' Retirement System shall remain members of the Louisiana State Employees' Retirement System, the president and staff of the Louisiana Federation of Teachers who were members of the Teachers' Retirement System prior to such employment, the president or secretary and staff of the Louisiana Association of Educators, employees of the Teachers' Retirement System of Louisiana, provided that persons employed by the Teachers' Retirement System on and after July 1, 1991, who are members of the Louisiana State Employees' Retirement System shall remain members of the Louisiana State Employees' Retirement System, the director and staff of the Associated Professional Educators of Louisiana, and the secretary and staff of the Louisiana High School Athletic Association. For purposes hereof, staff personnel involved in the administration of a health and welfare program for the benefit of employees of a school board, which program is coordinated by the school board and a teacher association, and which staff personnel are so designated by the school board, shall be considered to be employees of the school board provided that such employees were previously members of this system. In all cases of doubt, the board of trustees shall determine whether any person is a teacher within the scope of the definition herein set forth."

B. RETIREMENT BENEFITS

A member who retires at or after a certain minimum age and years of service is entitled to a monthly retirement benefit payable for life or the joint lives of the member and beneficiary. The benefit formula to calculate the benefit is based on a percentage of the member's average salary for the thirty-six highest successive months.

TEACHERS' REGULAR PLAN

Service retirements are granted when the following eligibility requirements are met:

Years Service	Minimum Age	Formula Percentage
10	60	2%
20	Any Age	2%
25	55	2-1/2%
30	Any Age	2-1/2%
20	65	2-1/2%

PLAN SUMMARY (Continued)

TEACHERS' PLAN A

<u>Years</u> <u>Service</u>	<u>Minimum</u> <u>Age</u>	<u>Formula</u> <u>Percentage</u>
10*	60	3%
25	55	3%
30	Any Age	3%

*Less than ten years at age seventy if member entered School Lunch Employees' Retirement System when parish withdrew from Social Security.

Members of Plan A, who did not contribute to retirement until their employing agencies withdrew from Social Security coverage, will receive one percent for those years plus \$24 per year for each year that retirement was not paid and three percent for each year after employing agencies withdrew from Social Security coverage and retirement contributions were paid on the member's salary.

TEACHERS' PLAN B

<u>Years</u> <u>Service</u>	<u>Minimum</u> <u>Age</u>	<u>Formula</u> <u>Percentage</u>
10	60	2%
30	55	2%

C. DEFERRED RETIREMENT

Any member with service credit of ten or more years may cease covered employment, leave the accumulated contributions in the System and, upon reaching age sixty, receive a retirement allowance based on the credit he had at the time he ceased covered employment.

D. DISABILITY BENEFITS

A member is eligible for disability retirement after five years of creditable service and certification of disability by the State Medical Disability Board.

TEACHERS' REGULAR PLAN

- (1) A member shall receive a retirement allowance upon retirement for disability. A factor of two and one-half percent shall be used in the computation of the disability benefit. The maximum disability benefit cannot exceed fifty percent of the average final compensation. However, the minimum disability benefit cannot be less than forty percent of the state minimum teaching salary or seventy-five percent of compensation, whichever is less.
- (2) No unused accumulated sick or annual leave shall be used in the computation of disability allowance unless the member was eligible to receive a service retirement allowance at the time of disability retirement.

In addition to the benefits provided under Subsection A of this Section, if a disability retiree has a dependent minor child, he shall be paid an added benefit equal to fifty percent of his disability benefit for so long as he has a dependent minor child, and provided that the total benefit payable, including the minor child benefit, does not exceed seventy-five percent of average final compensation.

TEACHERS' PLAN A

The eligibility requirements and provisions previously stated regarding disability benefits for Teachers' Regular Plan members also apply to Teachers' Plan A members except for percentages used in the formula to calculate the benefit. A member of Plan A receives one percent in the formula for the service credit received for years when he paid Social Security only. He receives three percent for each of the other years of service credit.

PLAN SUMMARY (Continued)**TEACHERS' PLAN B**

A normal retirement allowance is granted, if eligible, otherwise the formula is two percent of average final compensation times years of creditable service, provided that amount is not less than thirty percent nor more than seventy-five percent of average final compensation, in the event no optional selection is made by the member.

E. SURVIVOR BENEFIT

Survivor benefits are provided under all three plans for the deceased member's spouse and minor children when certain requirements such as years of service, marital status, etc., are met. If a member dies, even after retirement, eligible minor children shall receive benefits.

TAX SHELTERING OF CONTRIBUTIONS

On July 1, 1988, Teachers' Retirement System of Louisiana implemented a tax sheltering plan whereby the employers picked up members' contributions by designating such contributions as employer contributions. These contributions are excluded from the gross income of the members until the time of refund, death, or retirement. The tax sheltered plan complies with requirements of Section 414(h) of the Internal Revenue Code.

OPTIONAL RETIREMENT PLAN

In 1989, the Louisiana Legislature established an Optional Retirement Plan for academic employees of public institutions of higher education who are eligible for membership in the Teachers' Retirement System of Louisiana.

The Optional Retirement Plan is a defined contribution plan which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participants. Employees in eligible positions of higher education can make an irrevocable election to participate in the Optional Retirement Plan rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement.

Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of Teachers' Retirement System of Louisiana to implement the Optional Retirement Plan by March 1, 1990, and the public institutions of higher education to implement the Optional Retirement Plan on July 1, 1990.

In accordance with the statutes, the Board of Trustees selected three carriers with whom the participants may invest their contributions. The three companies selected were Aetna Life Insurance and Annuity Company, Teachers Insurance and Annuity Association-College Retirement Equities Fund, and The Variable Annuity Life Insurance Company.

DEFERRED RETIREMENT OPTION PLAN

On July 1, 1992, the Deferred Retirement Option Plan became effective. This plan which is described on page 135 of this report is another alternative plan of retirement. Withdrawals from the plan are subject to certain provisions of the Internal Revenue Code. Distributions from the plan are taxable to the recipient when received. No distributions can be made until the member terminates employment.

OPTION 5

The Option 5 program became effective January 1, 1996. Under this program, a retiring member who had not participated in the Deferred Retirement Option Plan could select an Option 5 alternative. This alternative provides the retiree with a one-time payment of up to thirty-six months of a regular maximum monthly retirement benefit in addition to a reduced regular monthly retirement benefit payable for life.

FINANCIAL SECTION

- Independent Auditor's Report
- General Purpose Financial Statements
- Required Supplementary Information
- Supporting Schedules

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

H. DANIEL CARROLL, C.P.A.
ROBERT E. WALES, C.P.A.
J. CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD.
BATON ROUGE, LOUISIANA 70809
(504) 923-3000 • FAX (504) 923-3008

ROBERT B. HAWTHORN, C.P.A.
(1896-1977)
JOHN F. WAYMOUTH, C.P.A.
(1902-1987)
HOWARD V. CARROLL, C.P.A.
(1909-1993)

WARREN C. BER, C.P.A.
RETIRED
ROBERT J. ZERNOTT, C.P.A.
RETIRED
CARL L. HANCOCK, C.P.A.
RETIRED

September 24, 1998

Independent Auditor's Report

Board of Trustees
Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

Members of the Board:

We have audited the accompanying component unit statements of Plan net assets of the

Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

as of June 30, 1998 and June 30, 1997, and the related statement of changes in Plan net assets for the years then ended. These financial statements are the responsibility of the Teachers' Retirement System of Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System of Louisiana as of June 30, 1998 and June 30, 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 24, 1998 on our consideration of the Teacher's Retirement System of Louisiana's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The Required Supplementary Information and the Supporting Schedules which are also the responsibility of the System's management, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

The Investment Section, the Actuarial Section, the Statistical Section, and the Supporting Schedules, other than the Schedule of Compensation, listed in the foregoing table of contents are also presented for purposes of additional analysis and are not a required part of the financial statements. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF PLAN NET ASSETS
AS OF JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Assets		
Cash and cash equivalents	\$ 10,664,180	\$ 6,617,033
Receivables		
Member contributions	36,450,281	32,479,877
Employer contributions	67,099,754	60,218,996
ORP contributions retained	1,804,612	1,612,197
Pending trades	116,912,814	111,894,953
Accrued interest and dividends	69,519,425	58,319,693
Other receivables	<u>969,344</u>	<u>802,211</u>
Total receivables	<u>292,756,230</u>	<u>265,327,927</u>
Investments, at fair value		
Domestic bonds	1,621,609,160	1,850,086,735
International bonds	1,062,873,639	918,424,528
Domestic common and preferred stocks	5,202,408,728	4,306,158,097
International common and preferred stocks	1,422,747,827	889,165,563
Domestic short-term investments	900,788,443	353,673,294
International short-term investments	9,434,521	9,677,622
Real estate investment trust	237,350,422	202,328,699
Private equity investments	364,199,600	142,162,392
Collateral held under domestic securities lending program	227,003,113	754,870,525
Collateral held under international securities lending program	<u>817,311,989</u>	<u>336,003,178</u>
Total investments	<u>11,865,727,442</u>	<u>9,762,550,633</u>
Building, at cost, net of accumulated depreciation of \$1,265,665 and \$1,150,941, respectively	3,573,741	3,684,228
Equipment, furniture and fixtures, at cost, net of accumulated depreciation of \$1,347,298 and \$1,595,944, respectively	717,477	769,162
Land	<u>889,816</u>	<u>890,741</u>
Total assets	<u>12,174,328,886</u>	<u>10,039,839,724</u>
Liabilities		
Accounts payable	13,294,573	7,840,545
Benefits payable	617,725	1,385,653
Refunds payable	2,949,271	2,577,753
Pending trades payable	664,727,380	62,025,176
Other liabilities	507,775	536,371
Obligations under domestic securities lending program	227,003,113	754,870,525
Obligations under international securities lending program	<u>817,311,989</u>	<u>336,003,178</u>
Total liabilities	<u>1,726,411,826</u>	<u>1,165,239,201</u>
Net assets held in trust for pension benefits (A schedule of funding progress for the plan is presented on page 40.)	<u>\$10,447,917,060</u>	<u>\$ 8,874,600,523</u>

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Additions		
Contributions		
Member contributions	\$ 208,275,106	\$ 191,704,402
Employer contributions	422,452,766	387,153,226
Total contributions	<u>630,727,872</u>	<u>578,857,628</u>
ORP contributions retained	<u>27,318,857</u>	<u>24,551,761</u>
Investment income:		
<i>From investment activities</i>		
Net appreciation (depreciation) in fair value of domestic investments	1,295,107,488	899,348,424
Net appreciation (depreciation) in fair value of international investments	44,441,461	91,069,068
Domestic interest	140,765,294	131,068,805
International interest	62,244,912	73,527,954
Domestic dividends	55,091,419	49,788,906
International dividends	23,044,305	15,282,750
Real estate income	8,942,761	2,849,889
Private equity income	429,743	212,490
Miscellaneous foreign income	55,265	0
Commission rebate income	1,141,811	938,711
Total investment income	<u>1,631,264,459</u>	<u>1,264,086,997</u>
Investment activity expenses:		
Domestic investment expenses	(6,692,589)	(4,801,974)
International investment expenses	(2,336,368)	(1,552,121)
Custodian fees	(1,293,672)	(1,707,790)
Advisor fees	(19,719,262)	(16,690,092)
Total investment expenses	<u>(30,041,891)</u>	<u>(24,751,977)</u>
Net income from investing activities	<u>1,601,222,568</u>	<u>1,239,335,020</u>
<i>From securities lending activities</i>		
Securities lending income	75,302,913	68,457,484
Securities lending expenses:		
Fixed	(32,416,970)	(41,285,338)
Equity	(373,580)	(396,343)
International	(36,993,442)	(21,818,959)
Total securities lending activities expenses	<u>(69,783,992)</u>	<u>(63,500,640)</u>
Net income from securities lending activities	<u>5,518,921</u>	<u>4,956,844</u>
Total net investment income	<u>1,606,741,489</u>	<u>1,244,291,864</u>
Other operating revenues	<u>741,679</u>	<u>924,648</u>
Total additions	<u>2,265,529,897</u>	<u>1,848,625,901</u>
Deductions		
Retirement benefits	664,147,264	624,736,789
Refunds of contributions	21,360,841	20,869,261
Administrative expenses	6,173,891	5,565,516
Depreciation expense	531,364	418,534
Total deductions	<u>692,213,360</u>	<u>651,590,100</u>
Net increase	1,573,316,537	1,197,035,801
Net assets held in trust for pension benefits		
Beginning of year	<u>8,874,600,523</u>	<u>7,677,564,722</u>
End of year	<u>\$10,447,917,060</u>	<u>\$8,874,600,523</u>

See accompanying notes to financial statements.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS**

A. PLAN DESCRIPTION**1. MEMBERSHIP AND ADMINISTRATION**

The Teachers' Retirement System of Louisiana (the "System") is the administrator of a cost sharing multiple-employer defined benefit pension plan established and provided for within Title 11, Chapter 2, of the Louisiana Revised Statutes. The System provides pension benefits to employees who meet the legal definition of a "teacher". The System is considered part of the State of Louisiana's financial reporting entity and is included in the State's financial reports as a pension trust fund. The State of Louisiana issues general purpose financial statements which include the activities in the accompanying financial statements. The accompanying statements present information only as to transactions of the program of the Teachers' Retirement System of Louisiana, as authorized by Louisiana Revised Statutes.

In accordance with Louisiana Revised Statutes, the System is subject to certain elements of oversight:

The Commission on Public Retirement reviews administration, benefits, investments, and funding of the public retirement systems.

The operating budget of the System is subject only to budgetary oversight by the legislature.

Annual sworn statements on all financial transactions and the actuarial valuation of the System must be furnished to the Legislative Auditor's Office within 120 days following the close of the accounting year of the System.

The Legislative Auditor is responsible for the procurement of audits for the public retirement systems and is authorized to contract with a licensed CPA for each audit.

In June 1991, the Governmental Accounting Standards Board issued Statement No. 14, "The Financial Reporting Entity". The definition of the reporting entity is based primarily on the notion of financial accountability. In determining financial accountability for legally separate organizations, the System considered whether its officials appoint a voting majority of an organization's governing body and whether either they are able to impose their will on that organization or there is a potential for the organization to provide specific financial burdens to, or to impose specific financial burdens on the System. The System determined there are no organizations that are fiscally dependent on it and there are no component units of the System.

At June 30, 1998 and 1997, the number of participating employers was:

	<u>1998</u>	<u>1997</u>
School Boards	67	66
Colleges and Universities	19	18
Vocational Technical Schools	52	50
State Agencies	40	48
Other	<u>39</u>	<u>11</u>
Total	<u>217</u>	<u>193</u>

Membership of this plan consisted of the following at June 30, 1998 and 1997, the dates of the latest actuarial valuations:

	<u>1998</u>	<u>1997</u>
Retirees and beneficiaries receiving benefits	42,445	40,676
Deferred retirement option plan participants	3,195	2,726
Terminated vested employees entitled to but not yet receiving benefits	495	487
Terminated nonvested employees who have not withdrawn contributions	6,963	7,039
Current active employees:		
Vested	21,432	19,054
Nonvested	64,340	66,115
Post deferred retirement option plan participants	<u>1,421</u>	<u>1,232</u>
Total	<u>140,291</u>	<u>137,329</u>

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The System consists of three membership plans which require mandatory enrollment for all employees that meet the following eligibility requirements:

- TRSL Regular Plan - employees that meet the legal definition of a "teacher" in accordance with Louisiana Revised Statutes 11:701(23)(a).
- TRSL Plan A - employees paid with school food service funds in which the parish has withdrawn from Social Security coverage.
- TRSL Plan B - employees paid with school food service funds in which the parish has not withdrawn from Social Security coverage.

These three membership plans are really one pension plan for financial reporting purposes. All assets accumulated for the payment of benefits may legally be used to pay benefits to any of the plan members or beneficiaries. Teachers' Retirement System of Louisiana provides retirement, disability and survivor benefits. Service retirements vest after 10 years of credited service, disabilities after 5 years, provided the member is in active service at the time of filing application for disability retirement. The formula for annual maximum retirement benefits is 2 or 2-1/2 percent (Regular Plan), 1 or 3 percent (Plan A), or 2 percent (Plan B) of final average salary for each year of credited service. Final average salary is based upon the member's highest successive thirty-six months of salary. Benefits are paid monthly for life. If a member leaves covered employment prior to vesting or dies prior to establishing eligibility for survivor benefits, accumulated member contributions are refunded. For a more detailed description of plan benefits, refer to the Plan Summary on page 21 of this report.

In 1989, the state legislature established an Optional Retirement Plan (ORP) for academic employees of public institutions of higher education who are eligible for membership in the Teachers' Retirement System of Louisiana. The ORP is a defined contribution pension plan which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participants. Employees in eligible positions of higher education can make an irrevocable election to participate in the ORP rather than the Teachers' Retirement System of Louisiana and purchase annuity contracts for benefits payable at retirement. Louisiana Revised Statutes 11:921 through 11:931 required the Board of Trustees of Teachers' Retirement System of Louisiana to implement the Optional Retirement Plan no later than March 1, 1990 and the public institutions of higher education to implement their Optional Retirement Plan on July 1, 1990. The 1995 Legislative Session amended the ORP to allow ORP participants that assume positions other than as employees of a public institution of higher education in positions covered by Teachers' Retirement System of Louisiana to continue to participate in the ORP. The number of participating employers is currently 186. Current membership in the ORP is 10,191 members.

In accordance with Louisiana Revised Statutes 11:927(B), the System retains 9.381 percent of the 16.4 percent ORP employer contributions. The amount transferred to the carriers is the employer's portion of the normal cost contribution which has been determined by the Public Retirement Systems' Actuarial Committee to be 7.019 percent.

The member's contributions (8 percent) are transferred to the carriers in entirety less 0.1 percent which has been established by the Board of Trustees to cover the cost of administration and maintenance of the Optional Retirement Plan. The administrative fee may be adjusted by the Board should the cost of administering the plan increase in the future.

The Deferred Retirement Option Plan (DROP) was implemented on July 1, 1992 with the passage of Louisiana Revised Statutes 11:786 by the state legislature. When a member enters DROP, his status changes from active member to retiree even though he continues to work at his regular job and draws his regular salary. In the original DROP, participation in the program could not exceed two years; however, the DROP was modified on January 1, 1994 to allow for a three-year period of participation. During the DROP participation period, the retiree's retirement benefits are paid into a special account. The election is irrevocable once participation begins. Interest at a rate equal to the realized return on the System's portfolio for that plan year as certified by the System actuary in his actuarial report, less one-half of one percent will be credited after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits which have accumulated in the DROP account.

Effective January 1, 1996, the state legislature authorized the Teachers' Retirement System of Louisiana to establish an Option 5 program. Option 5 is available to members who have not participated in the DROP and who select the maximum benefit, option 2 benefit, option 3 benefit, or option 4 benefit. Thereafter, these members are ineligible to participate in the DROP. The Option 5 program provides both a one-time single sum payment of up to 36 months of a regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest credited and payments from the Option 5 account are made in accordance with the DROP account, Louisiana Revised Statutes 11:450(A)(1).

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

1. BASIS OF ACCOUNTING

Teachers' Retirement System of Louisiana's financial statements are prepared using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred. Member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

2. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. METHOD USED TO VALUE INVESTMENTS

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Fair Value is the market value on the last business day of the Fiscal Year. Securities traded on a national or international exchange are valued at the last reported sales price at the current exchange rate. Purchases and sales of securities are reflected on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be sold. Investments that do not have an established market are reported at estimated fair value.

Investments and financial statements of this System are based on fair market values which are susceptible to daily market changes. These changes may cause material variations in the unrealized appreciation (depreciation) of investments. Financial markets have suffered significant reductions in market values since June 30, 1998 that could be material to this System. Investment decisions and policies are not based on daily changes since the investments are long-term in nature.

Other than investments in the U.S. government and U.S. government obligations, the System has no investments of more than five percent of the portfolio invested in any one corporation nor does the System hold more than five percent of any corporation's outstanding stock.

Teachers' Retirement System of Louisiana is a 50 percent co-owner of the Louisiana Retirement Systems building and related land with the Louisiana State Employees' Retirement System, and has the following operating leases with organizations that are included within the State of Louisiana as reporting entities:

Municipal Police Employees' Retirement System
Municipal Fire and Police Civil Service
Ethics Commission

4. PROPERTY AND EQUIPMENT

Land, building, equipment, and furniture are carried at historical cost. The building and related land are jointly owned by Teachers' Retirement System of Louisiana and Louisiana State Employees' Retirement System. Depreciation is computed by the straight-line method based upon useful lives of 40 years for the building and 3 to 10 years for equipment and furniture.

5. BUDGETARY ACCOUNTING

Self-generated revenues are budgeted for administrative expenses. State General Funds are appropriated for the purpose of paying supplementary benefits to retirees. The budgetary information for the years ended June 30, 1998 and 1997 includes the original Board of Trustees approved budget and appropriated State General Funds as well as subsequent amendments as follows:

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)

<u>1998</u>	<u>State General Funds</u>	<u>Self-Generated Revenue</u>	<u>Total</u>
Original approved budget and appropriations	\$5,436,370	\$28,722,832	\$34,159,202
Amendments:			
Salaries		(140,000)	(140,000)
Travel		(1,440)	(1,440)
Operating services		109,000	109,000
Supplies		38,940	38,940
Professional services		12,550	12,550
Acquisitions-capital outlays		55,336	55,336
	<u>\$5,436,370</u>	<u>\$28,797,218</u>	<u>\$34,233,588</u>

<u>1997</u>	<u>State General Funds</u>	<u>Self-Generated Revenue</u>	<u>Total</u>
Original approved budget and appropriations	\$5,023,230	\$27,994,158	\$33,017,388
Amendments:			
Salaries		(65,000)	(65,000)
Operating services		120,959	120,959
Professional services		2,002,000	2,002,000
Interagency transfers		40,000	40,000
Acquisitions-capital outlays		196,452	196,452
	<u>\$5,023,230</u>	<u>\$30,288,569</u>	<u>\$35,311,799</u>

6. ACCUMULATED LEAVE

The employees of the System accumulate unlimited amounts of vacation and sick leave at varying rates as established by state regulations. Upon resignation or retirement, unused vacation leave of up to 300 hours is paid to employees at the employees' rate of pay. Upon retirement, unused vacation leave in excess of 300 hours and sick leave are credited as earned service in computing retirement benefits. The liability for accrued vacation leave of up to 300 hours payable is included in Other Liabilities.

C. CONTRIBUTIONS

1. MEMBER CONTRIBUTIONS

Member contributions to the System, based on which plan the member is enrolled, are established by Louisiana Revised Statutes 11:884(A)(1), and rates are established by the Public Retirement Systems' Actuarial Committee. The following groups of employees contributed the percentage of their salaries as shown below for the years ended June 30, 1998 and 1997.

<u>Plan</u>	<u>% of Earned Compensation</u>	
	<u>1998</u>	<u>1997</u>
TRSL Regular Plan	8.0%	8.0%
TRSL Plan A	9.1%	9.1%
TRSL Plan B	5.0%	5.0%

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

2. EMPLOYER CONTRIBUTIONS

Employer contribution rates are established under Louisiana Revised Statutes 11:885, by the Public Retirement Systems' Actuarial Committee. Rates for the years ended June 30, 1998 and 1997 are as follows.

<u>Plan</u>	<u>% of Earned Compensation</u>	
	<u>1998</u>	<u>1997</u>
TRSL Regular Plan	16.4%	16.3%
TRSL Plan A	16.4%	16.3%
TRSL Plan B	16.4%	16.3%

Employer contributions are collected from the employing agencies throughout the state and from the proceeds of taxes collected in the parishes and remitted by the respective parishes' sheriff's office.

Administrative costs of Teachers' Retirement System of Louisiana are financed through investment earnings.

D. CASH AND CASH EQUIVALENTS, AND INVESTMENTS

1. CASH AND CASH EQUIVALENTS

At June 30, 1998, the carrying amount of the System's cash and cash equivalents was \$10,664,180 and the bank balance was \$11,747,305, which was covered by federal depository insurance and/or by collateral held by the agents in the System's name. At June 30, 1997, the carrying amount of the System's cash and cash equivalents was \$6,617,033 and the bank balance was \$8,380,897, which was covered by federal depository insurance and/or by collateral held by the agents in the System's name.

2. INVESTMENTS

All investments of the System are registered in the System's name, or held by the custodial bank or its intermediaries in the System's name. The System's investments at June 30, 1998, are categorized on the following page to give an indication of the level of risk assumed by the entity. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent but not in the System's name. The categorization for the investments held at June 30, 1997, was the same as that shown on the following page for investments held at June 30, 1998:

TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)

INVESTMENTS	CATEGORY			JUNE 30, 1998	JUNE 30, 1997
	1	2	3	CARRYING AMOUNT (FAIR VALUE)	CARRYING AMOUNT (FAIR VALUE)
Investments---Categorized					
Domestic bonds					
Not on securities loan	\$1,404,606,047			\$1,404,606,047	\$1,095,216,210
Domestic common and preferred stocks					
Not on securities loan	4,111,546,139			4,111,546,139	2,789,946,223
Collateral or letters of credit	1,081,122,576			1,081,122,576	0
International bonds					
Not on securities loan	519,102,490			519,102,490	591,513,211
International common and preferred stocks					
Not on securities loan	1,162,996,673			1,162,996,673	889,165,563
Short-term investments	54,036,233			54,036,233	84,813,433
Subtotal	<u>\$8,333,410,158</u>	<u>\$0</u>	<u>\$0</u>	8,333,410,158	5,450,654,640
Investments---Not Categorized					
Investments held by brokers-dealers under securities loans					
Domestic bonds				217,003,113	754,870,525
Domestic common stock				9,740,013	1,516,211,874
International bonds				543,771,149	326,911,317
International common stock				259,751,154	0
Domestic money market funds				846,752,210	268,859,861
International money market funds				9,434,521	9,677,622
Real estate investment trusts				237,350,422	202,328,699
Private equity investments				364,199,600	142,162,392
Collateral held under securities lending program				<u>1,044,315,102</u>	<u>1,090,873,703</u>
Total				<u>\$11,865,727,442</u>	<u>\$9,762,550,633</u>

Louisiana Revised Statutes 11:263 authorizes the Board of Trustees to exercise the "prudent man" rule in managing the investments of the System and limits the investment in equities to 65 percent of the investment portfolio.

The domestic and international investment advisors, employed by the Board of Trustees to manage the investments of the System, were given a policy statement which established a real return objective of 3.9 percent per annum.

In addition to publicly traded equities, the System has entered into limited partnership agreements with several different strategies that invest in real estate properties, domestic private equity, international private equity, and mezzanine debt. By making these investments, Teachers' Retirement System of Louisiana is seeking to attain investment returns of 15 to 30% over a 10 to 12 year time frame. The total commitments as of June 30, 1998 was \$1,400,000,000 versus \$600,000,000 as of June 30, 1997. The total amount funded as of June 30, 1998 was \$558,150,410 versus \$305,515,862 as of June 30, 1997.

E. SECURITIES LENDING TRANSACTIONS

State statutes and Board of Trustees policies permit the System to use the assets of the plan to enter into securities lending transactions-- loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's domestic managers lend the plan's securities for cash collateral of 100 percent or other securities collateral of 102 percent. The System's global managers lend the plan's securities for cash collateral or other securities collateral of 105 percent. Securities on loan at year-end are presented as unclassified in the preceding schedule of custodial credit risk. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

All securities loans can be terminated on demand by either the System or the borrower. The reinvestment of cash collateral is done on an overnight basis or to term. In these instances where a loan is for term, the reinvestment of the cash is matched to the maturity of the loan. Such matching existed at year-end. When investing in repurchase agreements, the collateral received will be a minimum of 102 percent of the cash invested.

F. DERIVATIVES

During fiscal years 1998 and 1997, the System invested in asset/liability based derivatives such as interest-only strips, principal-only strips, collateralized mortgage obligations (forms of mortgage-backed securities), options on futures, forward foreign exchange contracts, and futures. The System reviews market values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held in part to maximize yields and in part to hedge against a rise in interest rates.

1. INTEREST-ONLY STRIPS AND PRINCIPAL-ONLY STRIPS

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgages which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments. If actual prepayment rates are lower than anticipated, the time remaining until the return of principal is increased. The later principal is paid, the lower the present value of the security. Conversely, higher prepayment rates return principal faster causing the PO to appreciate in market value.

2. COLLATERALIZED MORTGAGE OBLIGATIONS

Collateralized mortgage obligations (CMO's) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates than others which can be significantly sensitive to interest rate fluctuations. In a declining interest rate environment, some CMO's may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. Reduction in interest payments cause a decline in cash flows and, thus a decline in market value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security.

3. OPTION ON FUTURES

This is an option contract, the exercise of which results in the holder and writer of the option exchanging futures position. The buyer of a call or put option has unlimited profit potential with the risk limited to the premium paid for the option. The option seller accepts potentially unlimited risk in return for the option premium received. The option seller or buyer can terminate such exposure in a closing transaction. A position is offset by completing the opposite transaction with the same option. The option contracts may also be repurchased or closed by the System, at which time the asset or liability is removed, a realized gain or loss is recognized, and cash is paid on the amount repurchased or received on closing a contract.

4. FORWARD FOREIGN EXCHANGE CONTRACTS

A currency forward is a contractual agreement between two parties to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. Forward commitments are not standardized and carry counterparty risk. Forwards are usually transacted over-the-counter. These transactions are entered into in order to hedge risks from exposure to foreign currency rate fluctuation. They are entered into with the foreign exchange department of a bank located in a major money market. Recognition of realized gain or loss depends on whether the currency exchange rate has moved favorably or unfavorably to the contract holder upon termination of the contract. Prior to termination of the contract, the System records the unrealized translation gain or loss.

**TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (Continued)**

5. FUTURES

A futures contract is an agreement for delayed delivery of securities, currency, commodities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument, at a specific price or yield. Upon entering into a futures contract, the System is required to pledge to the broker an amount of cash equal to a certain percentage of the contract amount. The amount is known as the "initial margin." Subsequent payments, known as "variation margin," are made by the System each day, depending on the daily fluctuations in the value of the underlying security. Such variation margin is recorded as a realized gain or loss for financial statement purposes.

The System buys and sells futures contracts for security hedging. Should exchange rates move unexpectedly, the System may not achieve the anticipated benefits of the futures contract and may realize a loss.

G. CONTINGENT LIABILITIES

The System is a litigate in several lawsuits. Management of the System, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the System.

H. REQUIRED SUPPLEMENTARY INFORMATION

In accordance with GASB 25, required supplementary information is presented on pages 40 through 42.

REQUIRED SUPPLEMENTARY INFORMATION

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to the Schedules of Trend Information

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL)* (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/93	\$5,129,519	\$ 9,522,424	\$4,392,905	53.9%	\$2,176,372	201.8%
06/30/94	5,699,645	9,928,474	4,228,829	57.4%	2,198,137	192.4%
06/30/95	6,275,335	10,570,306	4,294,971	59.4%	2,199,137	195.3%
06/30/96	7,055,144	11,232,762	4,177,618	62.8%	2,254,304	185.3%
06/30/97	7,752,591	12,077,642	4,325,051	64.2%	2,337,574	185.0%
06/30/98	9,071,749	13,185,190	4,113,441	68.8%	2,485,058	165.5%

To total actuarial accrued liability determined using the Projected Unit Credit cost method increased by \$1,107,548,377 from June 30, 1997 to June 30, 1998. There was a net experience gain of \$272,354,123 after allocating \$473,271,708 of excess investment income to the Experience Account in Accordance with Act 1031. A COLA was granted to retirees on July 1, 1998 which reduced the Experience Account \$219,376,759.

*UAAL differs from the UFAL for funding purposes. UFAL for funding purposes excludes Mineral Revenue Audit and Settlement receipts which is included in the Reconciliation of Unfunded Actuarial Liabilities on page 140.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Employer Contributions		
Year Ended June 30	Annual Required Contribution	Percentage Contributed
1993	\$380,441,708	98.4%
1994	382,680,775	96.2%
1995	391,687,201	100.8%
1996	401,039,317	98.4%
1997	412,712,131	99.5%
1998	458,498,592	101.7%

**REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULES OF TREND INFORMATION**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 1998
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent closed
Remaining amortization period	32 years
Asset Valuation method	4-year weighted market average
Actuarial assumptions:	
Investment rate of return*	8.25%
Projected salary increases*	5.75% 8.95%
Cost-of-living adjustments	None

*Includes inflation at 3%

SUPPORTING SCHEDULES

- Schedules of Budgetary Expenses
- Schedules of Administrative Expenses
- Schedules of Investment Expenses
- Schedules of Board Compensation
- Schedules of Building Maintenance Expenses and
Capital Outlays
- Schedules of Payments to Consultants

**SCHEDULES OF BUDGETARY EXPENSES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	1998			1997		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Revenues:						
Appropriated:						
State general fund	\$ 5,436,370	\$ 5,409,127	\$ (27,243)	\$ 5,023,230	\$ 5,005,385	\$ (17,845)
Self-generated	<u>28,797,218</u>	<u>27,556,014</u>	<u>(1,241,204)</u>	<u>30,288,569</u>	<u>24,480,644</u>	<u>(5,807,925)</u>
Total revenues	<u>34,233,588</u>	<u>32,965,141</u>	<u>(1,268,447)</u>	<u>35,311,799</u>	<u>29,486,029</u>	<u>(5,825,770)</u>
Expenses:						
Salaries	3,969,039	3,914,624	54,415	3,808,566	3,712,057	96,509
Travel expenses	247,509	169,543	77,966	223,200	147,260	75,940
Operating services	1,804,092	1,625,413	178,679	1,529,302	1,338,088	191,214
Supplies	138,092	119,398	18,694	93,350	92,348	1,002
Professional services	356,900	257,625	99,275	344,200	213,398	130,802
Custodian fees	1,800,000	1,293,672	506,328	2,100,000	1,707,790	392,210
Advisor fees	20,000,000	19,719,262	280,738	21,502,000	16,690,092	4,811,908
Other charges - state general fund	5,436,370	5,409,127	27,243	5,023,230	5,005,385	17,845
Other charges - self-generated	60,000	37,752	22,248	42,000	26,553	15,447
Interagency transfers	<u>58,640</u>	<u>49,536</u>	<u>9,104</u>	<u>100,284</u>	<u>35,812</u>	<u>64,472</u>
Total expenses	<u>33,870,642</u>	<u>32,595,952</u>	<u>1,274,690</u>	<u>34,766,132</u>	<u>28,968,783</u>	<u>5,797,349</u>
Capital outlays	<u>362,946</u>	<u>369,189</u>	<u>(6,243)</u>	<u>545,667</u>	<u>517,246</u>	<u>28,421</u>
Total expenses and capital outlays	<u>34,233,588</u>	<u>32,965,141</u>	<u>1,268,447</u>	<u>35,311,799</u>	<u>29,486,029</u>	<u>5,825,770</u>
Excess of revenues over expenses and capital outlays	<u>\$ _____ 0</u>	<u>\$ _____ 0</u>	<u>\$ _____ 0</u>	<u>\$ _____ 0</u>	<u>\$ _____ 0</u>	<u>\$ _____ 0</u>

NOTE: Custodian and advisor fees are listed on the Schedule of Investment Expenses. All other expenses, with the exception of Other Charges-State General Fund, are listed on the Schedule of Administrative Expenses.

**SCHEDULES OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Salaries:		
Salaries - regular	\$3,153,167	\$3,003,846
Salaries - overtime	21,000	66,832
Salaries - termination	15,053	14,803
Other compensation - student labor	23,086	15,477
Other compensation - compensation of board members	18,825	9,075
Related benefits	<u>683,493</u>	<u>602,024</u>
Total salaries	<u>3,914,624</u>	<u>3,712,057</u>
Travel expenses	<u>169,543</u>	<u>147,260</u>
Operating services:		
Advertising	10,583	3,995
Printing	118,395	76,613
Insurance	69,488	60,695
Automotive repairs	2,509	1,886
Maintenance - equipment	156,696	142,376
Rentals - building	464,151	446,191
Rentals - equipment	285,695	152,147
Rentals - off-site storage	10,708	10,360
Dues and subscriptions	21,313	20,823
Telephone	76,500	71,353
Postage	298,897	254,186
Bank service charges	101,832	74,839
Overtime heating and air conditioning	1,433	8,857
Mail services	6,875	13,767
Miscellaneous	<u>338</u>	<u>0</u>
Total operating services	<u>1,625,413</u>	<u>1,338,088</u>
Supplies	<u>119,398</u>	<u>92,348</u>
Professional services:		
Accounting and auditing	31,519	37,554
Management and consulting	24,638	0
Legal	123,799	97,690
Medical	17,215	15,436
Actuarial	49,200	44,600
Professional travel	992	412
Investigative services	9,195	16,808
Design/annual report	857	828
Deaf interpreter services	<u>210</u>	<u>70</u>
Total professional services	<u>257,625</u>	<u>213,398</u>
Other charges:		
Election expense	23,488	12,769
Educational expense	12,638	12,821
Recruitment expense	1,188	0
System condolence fund	327	227
Miscellaneous	<u>111</u>	<u>736</u>
Total other charges	<u>37,752</u>	<u>26,553</u>
Interagency transfers:		
Secretary of State - microfilm	38,074	23,949
Division of Administration - support services	538	600
Department of Civil Service	10,031	9,500
State Treasurer - independent actuary	728	1,033
Bureau of Vital Statistics	<u>165</u>	<u>730</u>
Total interagency transfers	<u>49,536</u>	<u>35,812</u>
Total administrative expenses	<u>\$6,173,891</u>	<u>\$5,565,516</u>

**SCHEDULES OF INVESTMENT EXPENSES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Investment activities expenses:		
Domestic investment expenses:		
Domestic investment expense	\$ 3,377	\$ 42
Commission rebate expense	6,370	75,000
Real estate expense	1,002,128	780,582
Private equity expense	<u>5,680,714</u>	<u>3,946,350</u>
Total domestic investment expenses	<u>6,692,589</u>	<u>4,801,974</u>
International investment expenses:		
International investment expense	168,164	116,215
International tax expense	<u>2,168,204</u>	<u>1,435,906</u>
Total international investment expenses	<u>2,336,368</u>	<u>1,552,121</u>
Custodian fees:		
Domestic	230,835	754,501
Global	<u>1,062,837</u>	<u>953,289</u>
Total custodian fees	<u>1,293,672</u>	<u>1,707,790</u>
Advisor fees	<u>19,719,262</u>	<u>16,690,092</u>
Total investment activities expenses	<u>\$30,041,891</u>	<u>\$24,751,977</u>
 Securities lending activities expenses:		
Fixed	\$32,416,970	\$41,285,338
Equity	373,580	396,343
International	<u>36,993,442</u>	<u>21,818,959</u>
Total securities lending activities expenses	<u>\$69,783,992</u>	<u>\$63,500,640</u>

**SCHEDULES OF BOARD COMPENSATION
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

<u>BOARD OF TRUSTEES</u>	<u>1998</u>		<u>1997</u>	
	<u>NUMBER OF MEETINGS *</u>	<u>NUMBER OF AMOUNT</u>	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Sheryl R. Abshire	14	\$ 1,050	7	\$ 525
Anne H. Baker	24	1,800	12	900
William C. Baker, Ed.D.	23	1,725	12	900
Jerry J. Baudin, Ph.D.	22	1,650	12	900
Eula Beckwith, replaced Jacqueline H. Shiloh	20	1,500	0	0
Clyde F. Hamner	21	1,575	10	750
Dianne R. Holland, replaced Lorraine H. Slacks	24	1,800	5	375
Syble T. Jones, RD, LDN	19	1,425	12	900
Thomas W. McCall	24	1,800	11	825
Lawrence J. Moody, Jr.	14	1,050	9	675
Jacqueline H. Shiloh, replaced Eula Beckwith	0	0	6	450
S. L. Slack	22	1,650	12	900
Lorraine H. Slacks, replaced by Dianne R. Holland	0	0	1	75
James T. Stewart	24	<u>1,800</u>	12	<u>900</u>
Total compensation		<u>\$18,825</u>		<u>\$9,075</u>

*Effective July 1, 1997, Act 1217 provides that Board Members will receive Per Diem for each day that they attend an official board meeting or committee meeting (amends and reenacts R.S. 11:181(A)).

**SCHEDULES OF BUILDING MAINTENANCE EXPENSES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Building maintenance expenses:		
Building manager	\$ 25,022	\$ 23,814
Partnership employees	21,067	18,030
Benefit and payroll taxes	3,794	3,492
Landscape maintenance	22,043	18,518
Custom program maintenance	9,387	6,703
Elevator maintenance	1,548	1,488
Equipment maintenance	29,126	26,790
Water	1,851	1,643
Sewerage	1,183	1,120
Utilities	87,140	86,370
Telephone	1,520	1,614
Advertising	367	845
Insurance	11,717	13,754
Pest control	546	560
Janitorial services	35,337	33,518
Waste systems	2,185	1,793
Fire protection	3,079	2,412
General repairs	12,676	19,132
Plumbing expenses	0	100
Equipment repairs	1,148	981
Electrical expenses	10,318	6,480
Bank charges	112	121
Window washing	0	1,059
Training/travel	100	0
Uniform rental	532	544
Air conditioner supplies	0	468
Building supplies	4,988	3,209
Landscape supplies	749	205
Janitorial supplies	1,136	1,593
Office supplies	89	70
Security guard services	12,526	9,730
Architect/engineering services	1,215	540
Real estate consultant	0	1,400
Legal services	0	75
Total building maintenance expenses	<u>\$302,501</u>	<u>\$288,171</u>

These costs are included in Rentals - Building under Operating Services on the Schedules of Administrative Expenses.

**SCHEDULES OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
Accounting and auditing consultants	\$ 31,519	\$ 37,554
Auditor		
Hawthorn, Waymouth & Carroll, L.L.P.		
Tax Accountant		
Postlethwaite & Netterville, APAC		
Management and consulting	24,638	0
Computer Consultants		
Sornson & Associates, Inc.		
Speedware USA, Inc.		
Legal	123,799	97,690
Legal Consultant		
Jones, Day, Reavis and Pogue		
Law Offices of Randy P. Zinna		
Long Law Firm		
Medical	17,215	15,436
Medical Examiners		
Richard Burroughs, M.D.		
Jack Clayton, M.D.		
N. James Doll, M.D.		
Herbert R. Dyer, Jr., M.D.		
Richard H. Gold, M.D.		
Anthony Ioppolo, M.D.		
Herbert K. Plauche, M.D.		
H. Guy Riche', Jr., M.D.		
Ginger Shows, M.D.		
Lawrence D. Wade, M.D.		
William R. Williamson, M.D.		
Actuarial	49,200	44,600
Actuary		
Hall Actuarial Associates		
Total	<u>\$246,371</u>	<u>\$195,280</u>

A summary schedule of commissions paid to brokers is shown on page 132.

INVESTMENT SECTION

- Report on Investment Activity
- Investment Policy
- Investment Summary
- List of Investments
- Net Earnings on Investments
- Investment Performance Measurements
- Average Yield on Bonds Purchased
- Annual Rates of Return
- Summary Schedule of Commissions Paid to Brokers

Holbein Associates, Inc.

September 9, 1998

The Board of Trustees
Teachers' Retirement System of Louisiana
8401 United Plaza Blvd.
Baton Rouge, Louisiana 70809

During the past year, the TRSL portfolio had outstanding absolute performance in a very positive equity and fixed income environment. For the year ending June 30th, the System achieved an 18.3% rate of return from assets. The return achieved ranked at the 32nd percentile of the Independent Consultants Cooperative Public Fund Universe. For the past five years, the System achieved a 13.3% return which ranked at the 64th percentile of the Independent Consultant's Cooperative Public Fund Universe. We believe that these returns are excellent given the fact that there was a restriction on equities (55%) which limited the upside potential (this restriction was changed to 65% as of June 30, 1997). The performance results were calculated in compliance with the AIMR Performance Presentation Standards. The performance calculations reflect the total return of the System, including realized and unrealized gains plus income.

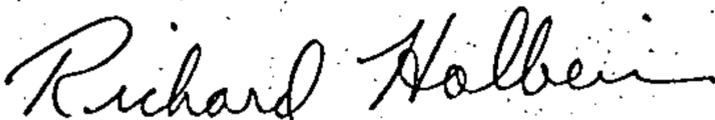
The total TRSL portfolio performance exceeded all of the objectives of the total fund over the last 3 and 5 years. The total portfolio return exceeded the Inflation (CPI) Index plus 3.9% by 10.5% for 3 years and 7.0% for 5 years. It also exceeded the actuarial growth rate of 8.25% by 8.4% over the last 3 years and 5.1% over the last 5 years.

The domestic portfolios are diversified into various equity and fixed income styles. The equity portfolios are diversified into growth and value styles across all capitalization ranges. The fixed income portfolios are diversified into government, corporate, and mortgage backed securities.

The TRSL portfolio is diversified into many investable markets, including 13.0% in international equity and 10.3% in international fixed income. During the first half of 1998, TRSL has experienced excellent results from international equities.

The System portfolio is also enhanced by diversification into opportunistic real estate, private equity and mezzanine debt financing. These alternative investments offer exceptional expected long-term returns and enhance the overall diversification of the System portfolio. Over the last year, the alternative investments produced realized and unrealized returns of 52.3%.

Sincerely,



Richard Holbein
President

INVESTMENT POLICY

STATEMENT OF OBJECTIVES

Financial objectives of the Teachers' Retirement System of Louisiana have been established in conjunction with a comprehensive review of the current and projected financial requirements of the Retirement System.

The Board's investment objectives are to:

- (1) Protect the System's assets in real terms such that assets are preserved for providing benefits to participants and their beneficiaries. Real terms shall be a measurement in current dollars which discounts inflationary increases in value as measured by the Consumer Price Index (CPI).
- (2) Achieve investment returns sufficient to meet the actuarial assumption necessary to improve the future soundness of the System. This is defined as an investment return (current income plus realized and non-realized gains and losses) greater than the current actuarial assumption.
- (3) Maximize the total rate of return on investments within prudent parameters of risk for a retirement system of this type.

While there can be no complete assurance that these objectives will be realized, this Investment Policy is believed to provide a sound basis for successful achievement.

The desired investment objective is a long-term compound rate of return on the System's assets of 3.9 percent above the CPI. The Board realizes that market performance varies from period to period and this return objective may not be meaningful during some periods. Accordingly, relative performance benchmarks for investment managers are set forth in the Control Procedures section of this document.

STATEMENT OF INVESTMENT POLICY

INVESTMENT GUIDELINES

It shall be the policy of the System to invest the assets in accordance with the maximum and minimum range for each asset category as stated below:

<u>ASSET CATEGORY</u>	<u>MINIMUM</u>	<u>TARGET</u>	<u>MAXIMUM</u>
Cash and Equivalents	0%	0%	15%
Fixed Income*	20%	25%	60%
Alternative Investments***	0%	15%	25%
Total Stock**	35%	60%	65%
*U.S. Fixed Income	10%	17.5%	60%
International	0%	7.5%	40%
**U.S. Stock	25%	30%	65%
International	0%	20%	30%
Equity Indexing	10%	10%	65%

***In determining the asset allocation, the actual invested amount, not the commitments, is applicable; however, in no case, without Board approval, will the commitments exceed the maximum.

The asset allocation ranges established by this Investment Policy represent a long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy range. Any divergence should be of a short-term nature. The Director is responsible for ensuring that the managers keep any such divergence as brief as possible.

Divergence in the portfolio cash reserves is of particular concern. It is the Board's policy that managers' portfolios are to be fully invested and cash reserves, over time, should not exceed the 5 percent target. Managers have the discretion to deviate from the cash reserve target, but will be accountable to the Board for justifying such action. Managers will be evaluated on the performance of the total portfolio, including cash.

It is expected that all assets of the Teachers' Retirement System of Louisiana will be managed in accordance with the Louisiana Revised Statutes. It is a policy of the Board of Trustees that, provided all investment factors are equal and within the limits of prudence, investments in Louisiana securities are encouraged.

In accordance with the Louisiana Revised Statutes, the Teachers' Retirement System of Louisiana will invest, at a minimum, 10 percent of Total Stock in Equity indexing not to exceed 65 percent. The index portfolio(s) shall be invested in indices that either seek to replicate or enhance a particular index. The index portfolio(s) may be invested in a variety of equity capitalization ranges and could be invested in either domestic or foreign equity.

In addition to direct investment in individual securities, mutual funds and pooled asset portfolios are acceptable investment vehicles.

FIXED INCOME GUIDELINES

Investments in fixed income securities shall be high quality marketable securities meeting one or more of the following criteria:

- (1) All U.S. Treasury, federal agencies, and U.S. Government guaranteed obligations.
- (2) Corporate bonds, debentures, notes asset-backed securities and equipment trust certificates rated Baa3 or BBB- or higher (Investment Grade), by Moody's or Standard &

INVESTMENT POLICY (Continued)

- Poor's (includes split-rated bonds). Below investment grade bonds, are allowed within the following limitations and the consideration of whether they are prudent under the circumstances then prevailing. In no case shall holdings of below investment grade credits exceed 20 percent in the market value of the bond portfolio, except for those portfolios specifically designated "High Yield."
- (3) Mortgage securities will be limited to: Pass-throughs, Collateralized Mortgage Obligations, Adjustable Rate Mortgages, Commercial Mortgage-backed Securities and other mortgage securities deemed prudent by the investment advisor(s). The use of Interest only strips and Principal only strips may not exceed 10 percent of the portfolio.
- (4) Municipal bonds rated Baa3 or BBB- or higher may not exceed 20 percent of the market value of the bond portfolio.
- (5) Positions in any one issuer of corporate or municipal securities are not to exceed 5 percent of the market value of the bond portfolio, measured at the time of purchase.
- (6) Holdings of individual issues are to be large enough for easy liquidation.
- (7) Private placements (including Rule 144As) may be held providing that holdings do not exceed 25 percent of the market value of the bond portfolio. High-yield portfolios are excluded from this restriction on Rule 144As.
- (8) Debt obligations of foreign governments, corporations and supranational issues that are dollar denominated (including Euro-Bonds and Yankee Bonds) rated Baa3 or BBB- or higher (Investment Grade), by Moody's or Standard & Poor's may be held by investment managers that have experience and expertise with these securities. These securities may not exceed 20 percent of the market value of the bond portfolio, however 10 percent of such portfolio may be invested in below investment grade foreign fixed income securities.
- (9) Debt obligations of foreign governments, corporations and supranational issued outside of the U.S. (Euro-Bonds and non-U.S. dollar bonds) may be held by investment managers that have received written permission from the Board to include these securities in their portfolios. These securities may not exceed 20 percent of the market value of the bond portfolio, and are subject to the approved country list found on this page.
- (10) High Yield portfolios are to be primarily invested in debt securities rated from Ba1 to CCC or BB+ to CCC and in unrated securities determined to be of comparable quality by the manager. Unrated securities and securities rated CCC or below shall not exceed 20 percent of the market value of the portfolio.
- (11) High Yield portfolios are subject to the above paragraphs with bond rating modified according to paragraph (10).

FIXED INCOME GUIDELINES FOR APPROVED GLOBAL FIXED INCOME MANAGER(S)

Guidelines (1) through (7) for Fixed Income will apply with the following additional guidelines:

- (1) The debt of countries, foreign agencies, foreign corporations and supranational entities is acceptable for investment including the U.S., Canada, all the E.A.F.E. countries, and countries specifically approved by the Board. The current list of approved countries is shown below. European Currency Unit (ECU) obligations are also included in the approved category.

E.A.F.E. COUNTRIES

Belgium	Denmark	Finland	France
Germany	Ireland	Netherlands	Norway
Italy	Portugal	Switzerland	United Kingdom
Australia	Japan	New Zealand	Singapore
Malaysia	Spain	Sweden	Austria

OTHER COUNTRIES APPROVED BY THE BOARD

Argentina	Brazil	Canada	Chile
Greece	Indonesia	Korea	Mexico
Phillipines	Poland	Turkey	South Africa
Venezuela	Thailand	China (Hong Kong Only)	
India (ADRs & GDRs only)			
Israel (ADRs & GDRs only)			

- (2) Weightings in U.S. dollar-denominated bonds, and U.S. cash may, when combined, range from 0 percent to 100 percent of a portfolio.
- (3) Weightings in yen, sterling and DM-denominated bonds, when combined with the cash holdings in the respective country, may each range from 0 percent to 50 percent of a portfolio.
- (4) Portfolio weightings in board approved countries other than those described in (2) and (3) above, may each, combining bonds and cash, range from 0 percent to the country weightings of the Salomon Brothers Non-U.S. World Government Bond Index plus 10 percent. However, practical consideration should be given to liquidity and marketability of issues, particularly within non-major and emerging markets.

INVESTMENT POLICY (Continued)

(5) Quality ratings for corporate debt shall be consistent with those stated in (2) under Fixed Income Guidelines.

(6) Permitted Hedge Vehicles for Currency Exposure Management

The following instruments are permissible:

- (1) Forward Foreign Exchange Contracts
- (2) Currency Futures Contracts
- (3) Options on Currency Futures Contracts
- (4) Options on Spot Currencies

(7) Net short foreign currency positions may not be taken in this portfolio.

STOCK GUIDELINES

Common stock securities including ADRs shall be high quality, readily marketable securities offering potential for above average growth. Common stock investments are limited to those meeting all of the following criteria:

- (1) Stocks must be listed or traded on a national securities exchange including the NASDAQ. ADR securities may be traded over the counter. U.S. Stocks must be registered with the Securities and Exchange Commission.
- (2) Not more than 5 percent of the book value or market value (whichever is more) of the total issued and outstanding common stock of any one corporation may be held in the equity portfolio.
- (3) Not more than 5 percent of the cost or market value of the total System equity portfolio (whichever is higher) or 15 percent of the market value of each separately managed portfolio may be invested in common stock of any one corporation.
- (4) Not more than 20 percent of stock valued at market of the total System equity portfolio may be held in any one industry category as defined by Bankers Trust Company.
- (5) Convertible securities and covered option writing, if any, shall be considered as part of the equity portfolio.
- (6) Equity managers hired for small cap investment category shall maintain an average market capitalization of the portfolio below the market capitalization of the 750th stock in the Wilshire 5000. In addition, no more than 20 percent of the portfolio may be invested in stocks whose capitalizations exceed the capitalization of the 750th stock in the Wilshire 5000.

(7) Equity managers hired for the mid cap investment category shall maintain an average market capitalization of the portfolio between the market capitalizations of the 500th and the 1,250th stock in the Wilshire 5000. In addition, no more than 20 percent of the portfolio may be invested in stocks whose capitalizations exceed the capitalization of the 500th stock in the Wilshire 5000, and no more than 20 percent of the portfolio may be invested in stocks whose capitalizations are below the capitalizations of the 1,250th stock in the Wilshire 5000.

STOCK GUIDELINES FOR APPROVED INTERNATIONAL EQUITY MANAGER(S)

In addition to the International Stock Guidelines below, Stock Guidelines (2) through (7), also apply as appropriate to international equity managers.

- (1) The countries acceptable for investment include the U.S., Canada, all the E.A.F.E. countries, and countries specifically approved by the Board. The current list of approved countries is shown on page 54.
- (2) Investment managers may invest up to the MSCI EAFE Index country weights plus 10 percent of the market value of the portfolio in any one country. However, practical consideration should be given to liquidity and marketability of issues, particularly within non-major and emerging markets. Managers should also be sensitive to the weight of individual economic sectors of the market within the portfolio.
- (3) Investment managers may invest up to 25 percent of the market value of the portfolio in equity securities of domestic U.S. issuers. This flexibility should be viewed by the manager as an opportunistic and/or defensive mechanism as opposed to a normal position.
- (4) No single industry group shall constitute more than 25 percent of the market value of the portfolio or its comparable representation in the EAFE Index, whichever is larger, without prior Board approval.
- (5) No individual security shall constitute more than 10 percent of the market value of the portfolio or its equivalent representation in the EAFE Index, whichever is larger, without prior Board approval.
- (6) Cash shall not constitute more than 25 percent of the market value of the total portfolio without prior Board approval. Cash held by the manager may be in U.S. dollars or in the foreign currency or currencies of the managers' choice.

INVESTMENT POLICY (Continued)

(7) Residual currency exposures of the underlying international equity portfolio should be actively managed by the investment manager. The objectives of active foreign exchange exposure management within the international equity portfolio are to:

- (a) Add value by increasing total returns and reducing volatility of returns through hedging and cross hedging activities.
- (b) Avoid currency translation losses in periods of an appreciating U.S. dollar.

(8) Permitted Equity Investments

- (a) Equity managers are to confine portfolio investments to common stocks and securities directly convertible or exercisable into common stocks, including GDRs of companies domiciled in countries on the approved list shown on page 54.
- (b) Use of derivatives such as options, warrants, and futures to establish unleveraged long positions in equity markets is permissible.
- (c) Currency options contracts may be exchange traded or over-the-counter (OTC) traded in the interbank market. Alternative instruments such as swaps, options on options, or other derivatives may be utilized if the risk/return trade-off is perceived by the manager to be suitable and competitive with the above stated hedge vehicles.
- (d) International equity managers may invest up to 10 percent of the portfolio in Rule 144A securities.

(9) Permitted Hedge Vehicles for Currency Exposure Management

The following instruments are permissible:

- (1) Forward Foreign Exchange Contracts
- (2) Currency Futures Contracts
- (3) Options on Currency Futures Contracts
- (4) Options on Spot Currencies

(10) Net short foreign currency positions may not be taken in this portfolio.

CASH AND CASH EQUIVALENTS GUIDELINES

Cash and cash equivalents are comprised of daily cash balances above day to day needs and funds set aside for portfolio strategy reasons. Short-term securities managed by the System's Investment Department are subject to the approval of the Director in accordance with the set-forth guidelines and restrictions

Short-term investments may be placed in:

- (1) U.S. Treasury Bills, other issues of the U.S. Government, issues of federal agencies, and government sponsored enterprises with a maturity of one year or less.
- (2) Repurchase agreements collateralized by U.S. Treasury or agency securities subject to the market value of collateral, including accrued interest, meeting at least 100 percent of the amount of their purchase agreement.
- (3) Commercial paper rated P-1 by Moody's or A-1 by Standard & Poor's and having a senior bond rating of A/A or better. No single issue may exceed 10 percent of outstanding short-term obligations. The maximum maturity will be ninety days.
- (4) Certificates of deposit limited to Louisiana banks, savings and loans and credit unions provided that:
 - (a) Maximum amount in any one bank will be limited to \$1 million.
 - (b) All deposits in excess of federal insurance limits shall be collateralized subject to the same rules and regulations in effect for certificates of deposit placed by the Louisiana Department of the Treasury.
 - (c) Maximum amount limited to 5 percent of capitalization.
 - (d) Maximum maturity is 366 days.
- (5) Money market funds adhering to restrictions (1) through (4) above.
- (6) Issues of commercial debt market with maturities of one year or less and having a rating of A or better. The obligations of any single issuer may not exceed 10 percent of the total outstanding short-term obligations of the System.
- (7) STIF Deposit accounts at foreign sub-custodian banks are allowed only for the Global and International managers.

ALTERNATIVE INVESTMENT GUIDELINES

In recognition of the increasing opportunities in today's and tomorrow's investment universe, the Board may consider the following representative investment vehicles:

- Real Estate
- Private Placements
- Options
- Derivatives (Futures, Swaps, etc.)

INVESTMENT POLICY (Continued)

The Board, when appropriate, will adopt objectives, rules and guidelines as may be necessary to adequately monitor the performance of the assets committed to the above investment vehicles. Upon Board approval, these objectives, rules, and guidelines will be added to the investment policy.

SECURITIES LENDING GUIDELINES

The System's Investment Department may engage in the lending of securities subject to the following guidelines:

- (1) Collateral on loans is set at a minimum 102 percent of the market value of the security plus accrued interest.
- (2) Collateral on loans of international securities is set at a minimum 105 percent of the market value of the security plus accrued interest.
- (3) Securities of the System are not released until the custodian bank receives payment for the book entry withdrawal of the loaned security.
- (4) Funds from the lending of securities accrue to the investment account and not to investment advisors since they would not be involved in the process.
- (5) The System's Investment Department may engage in the lending of all applicable securities.

RESTRICTED INVESTMENTS

Categories of investments which are not eligible include:

- (1) Use of margin or leverage.
- (2) Short sales of securities not held by the System.
- (3) Investments in commodities or commodity contracts.
- (4) Direct loans or extension lines of credit to any interested party.
- (5) Letter stock.
- (6) Unregistered securities, except permitted 144A securities.

For global advisors approved by the Board, financial futures contracts and options thereon, currency forward contracts and options thereon, and options on physical securities and currencies are allowed. Also for these advisors initial and variation margin on financial futures and related options are allowed.

OTHER INVESTMENTS

From time to time, the Board may authorize other investments for a specific trial period. At the conclusion of the trial period, should the Board determine that the investment is suitable on a continuing basis, the Board will adopt such objectives, rules and guidelines as may be necessary and add them to the statement.

DIVERSIFICATION

Investments shall be diversified with the intent to minimize the risk of large losses to the Retirement System. The total portfolio will be constructed and maintained to provide prudent diversification in equity, fixed income and real estate.

VOLATILITY

Consistent with the desire for adequate diversification, it is expected that the volatility of the System's total portfolio will be similar to that of the market. It is expected that the volatility of the total portfolio, in aggregate, will be reasonably close to the volatility of a commitment-weighted composite of market indices (e.g., Standard & Poor's 500 Index for stocks and Shearson Lehman Government Corporate Bond Index for bonds).

LIQUIDITY NEEDS

It is expected that contributions will exceed benefit payments for the foreseeable future. Therefore, there is no present need for investment managers to maintain liquid reserves for payment of retirement benefits.

PROXY VOTING

It shall be the policy of the Retirement System to vote all proxy ballots, except those for international companies. These proxies shall be voted by the applicable manager. Nevertheless, each investment manager is required to advise the Board on any issues that should require special consideration.

EXECUTION OF SECURITIES TRADES

The Retirement System expects the purchase and sale of its securities to be directed through the brokerage firms offering the best price and execution. Orders shall be placed through Louisiana brokerage firms whenever they can provide total transaction costs equivalent to or below the lowest non-Louisiana brokerage firm.

INVESTMENT POLICY (Continued)

CONTROL PROCEDURES

REVIEW OF LIABILITIES

All major liability assumptions regarding number of Plan participants, payroll, benefit levels and actuarial assumptions will be subject to an annual review. This review will focus on an analysis of the major differences between the System's assumptions and actual experience.

REVIEW OF INVESTMENT OBJECTIVES

The achievement of investment objectives will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy for achieving these objectives. It is not expected that the Investment Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment to the Investment Policy.

REVIEW OF INVESTMENT MANAGERS

The Board will require each investment manager to report monthly in a manner agreed upon by the Board, staff, consultant and manager.

The Board will meet at least annually, and preferably more frequently, with the investment managers and its consultants. Additionally, with or without the investment managers, the Board will review investment results at least quarterly.

These reviews will focus on:

- (1) Manager adherence to the policy guidelines.
- (2) A comparison of managers' results against appropriate financial indexes, such as, but not limited to the Standard & Poor's 500 Index and the Frank Russell Style Indices for domestic equities; the EAFE (after taxes) Index for International equities; the Lehman Aggregate Bond Index, Lehman Government Corporate Bond Index, and Lehman Mortgage Bond Index for domestic fixed income securities; and the Lehman Aggregate Bond Index, Salomon Brothers World Bond Index, and Salomon Non U.S. Dollar Government Bond Index, for global fixed income securities.
- (3) A comparison of managers' results using similar policies (in terms of commitment to equity, style, diversification, volatility, etc.).
- (4) The opportunities available in both equity and debt markets.

- (5) Material changes in the manager organizations such as investment philosophy, personnel changes, acquisitions or losses in major accounts, etc.

The managers will be responsible for keeping the Board advised of any material change in personnel, investment strategy, or other pertinent information potentially affecting performance.

PERFORMANCE EXPECTATIONS

The most important performance expectation is the achievement of investment results that are consistent with the Retirement System's Investment Policy Statement. A long-term average annual return of 3.9 percent above inflation as measured by the Consumer Price Index is reasonable in light of the policy. Implementation of the policy will be directed toward achieving this return and not toward maximizing return without regard to risk.

The Retirement Board recognizes that this real return objective may not be meaningful during some time periods. In order to ensure that investment opportunities available over a specific time period are fairly evaluated, the Board will use comparative performance statistics to evaluate investment results. The Board expects the total Fund to perform in the top one third of a universe of total funds having similar investment policies. To stay abreast of what other state and local plans are achieving, the System's performance will also be compared to the results of other public plans. Each manager is expected to perform in the top one-half of his/her respective Equity Manager or Fixed Income Manager universe and in the top quartile of his/her investment manager style universe. This performance should be achieved over rolling three-year time periods or the length of each manager's contract, whichever comes first. Short run results will also be monitored. For purposes of this paragraph, the universe referred to is the Bankers Trust Independent Consultant Cooperative (I.C.C.) Universe as categorized above.

**INVESTMENT SUMMARY
AS OF JUNE 30, 1998 AND 1997**

TYPE OF INVESTMENT	JUNE 30, 1998		JUNE 30, 1997	
	MARKET VALUE	% TOTAL MARKET VALUE	MARKET VALUE	% TOTAL MARKET VALUE
Domestic bonds:				
U S Treasury & Government Agency securities	\$ 737,577,145	6.216%	\$1,404,428,376	14.386%
Corporate bonds	884,032,015	7.450%	445,658,359	4.565%
Total domestic bonds	<u>1,621,609,160</u>	<u>13.666%</u>	<u>1,850,086,735</u>	<u>18.951%</u>
International bonds	1,062,873,639	8.958%	918,424,528	9.407%
Domestic stocks:				
Common	5,180,397,858	43.659%	4,303,538,097	44.082%
Preferred	22,010,870	0.185%	2,620,000	0.027%
Total domestic stocks	<u>5,202,408,728</u>	<u>43.844%</u>	<u>4,306,158,097</u>	<u>44.109%</u>
International stocks:				
Common	1,369,767,150	11.544%	865,514,632	8.866%
Preferred	52,980,677	0.446%	23,650,931	0.242%
Total international stocks	<u>1,422,747,827</u>	<u>11.990%</u>	<u>889,165,563</u>	<u>9.108%</u>
Domestic short-term investments	900,788,443	7.592%	353,673,294	3.623%
International short-term investments	9,434,521	0.080%	9,677,622	0.099%
Real estate investment trust	237,350,422	2.000%	202,328,699	2.073%
Private equity investments	364,199,600	3.069%	142,162,392	1.456%
Collateral held under domestic securities lending program*	227,003,113	1.913%	754,870,525	7.732%
Collateral held under international securities lending program*	<u>817,311,989</u>	<u>6.888%</u>	<u>336,003,178</u>	<u>3.442%</u>
Total investments	<u>\$11,865,727,442</u>	<u>100.000%</u>	<u>\$9,762,550,633</u>	<u>100.000%</u>

*NOTE: Collateral received by the System for securities on loan is reported as an asset with a corresponding liability.

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
U S TREASURY & GOVERNMENT AGENCY SECURITIES				
Federal Home Ln Mtg Corp Nts	5.750	04/15/08	\$ 4,500,000	\$ 4,476,105
Federal Home Ln Mtg Corp Ser C 2059 A	6.000	09/15/26	11,384,205	11,099,486
Federal Home Ln Mtg Corp #01865 S	10.387	07/15/26	1,786,319	1,754,671
Federal Home Ln Mtg Corp #170223	18.000	05/01/17	1,315,513	1,400,600
Federal Home Ln Mtg Corp #2015 CB	7.000	01/15/26	13,251,497	13,417,141
Federal Home Ln Mtg Corp #846317	15.322	08/01/26	2,108,780	2,152,284
Federal Home Ln Mtg Corp #846510	15.664	04/01/25	1,892,909	1,940,231
Federal Home Ln Mtg Corp #C90169	7.500	04/01/17	4,212,668	4,316,637
Federal Home Ln Mtg Corp #D91292	6.500	04/01/16	5,984,647	6,003,320
Federal Home Ln Mtg Corp #D91333	6.500	05/01/16	8,692,717	8,719,838
Federal Home Ln Mtg Corp 1004 H	7.950	10/15/20	6,200,000	6,519,672
Federal Home Ln Mtg Corp 1085 G	8.500	05/15/21	2,069,911	2,166,928
Federal Home Ln Mtg Corp 1229 J	8.000	04/15/07	3,000,000	3,167,790
Federal Home Ln Mtg Corp 1238 K	8.000	04/15/07	2,000,000	2,157,500
Federal Home Ln Mtg Corp 1308 J	8.500	06/15/07	1,200,000	1,303,872
Federal Home Ln Mtg Corp 1513 TB	7.462	05/15/08	2,111,615	1,996,130
Federal Home Ln Mtg Corp 1579 PQ	7.000	04/15/22	6,203,909	6,205,832
Federal Home Ln Mtg Corp 1661 SE	8.890	01/15/09	6,500,000	5,220,280
Federal Home Ln Mtg Corp 1688 W	7.250	03/15/14	9,000,000	9,030,870
Federal Home Ln Mtg Corp 1706 LB	7.000	06/15/23	7,559,944	7,626,093
Federal Home Ln Mtg Corp 1714 PS	7.612	04/15/24	3,500,000	3,393,880
Federal Home Ln Mtg Corp 1784 PH	8.000	05/15/24	7,600,000	8,032,212
Federal Home Ln Mtg Corp 1798 CA	6.000	03/15/08	7,000,000	6,875,260
Federal Home Ln Mtg Corp 1844 E	6.500	10/15/13	9,000,000	9,045,000
Federal Home Ln Mtg Corp 1956 B	7.000	02/20/24	10,000,000	10,162,500
Federal Home Ln Mtg Corp 201-Z	8.000	02/15/23	5,302,275	5,578,948
Federal Home Ln Mtg Corp 2020 D	6.250	01/15/27	8,000,000	7,914,960
Federal Home Ln Mtg Corp 2043 PL	6.500	06/15/27	12,000,000	11,958,720
Federal Home Ln Mtg Corp 2061 TA	5.250	10/15/27	18,500,000	16,837,891
Federal Home Ln Mtg Corp 2063 PV	6.250	10/15/26	5,000,000	4,946,875
Federal Home Ln Mtg Corp 32 C	9.500	03/15/20	2,526,747	2,700,461
Federal Home Ln Mtg Corp 43 PI	6.500	04/17/22	4,465,485	4,490,581
Federal Home Ln Mtg Corp G-40 L	6.500	08/17/24	2,357,074	2,377,699
Federal Home Ln Mtg Corp G-41 Z	8.000	04/25/24	9,899,180	9,883,638
Federal Home Ln Mtg Corp G-54 B	7.750	04/18/22	7,199,000	7,390,205
Federal Home Ln Mtg Corp 1970 PE	7.000	07/15/26	12,000,000	12,221,160
Federal Natl Mtg Assn #019946	7.000	11/25/23	7,000,000	7,113,750
Federal Natl Mtg Assn #050425	9.000	04/01/21	747,309	795,181
Federal Natl Mtg Assn #292903	8.093	08/01/24	442,588	448,120
Federal Natl Mtg Assn #303233	10.000	08/01/07	3,391,077	3,567,108
Federal Natl Mtg Assn #308186	7.597	04/01/25	1,665,654	1,695,585
Federal Natl Mtg Assn #313083	7.462	08/01/26	2,662,351	2,718,926
Federal Natl Mtg Assn #347554	6.665	11/01/26	5,567,215	5,712,464
Federal Natl Mtg Assn #348273	6.557	01/01/26	6,190,398	6,318,106
Federal Natl Mtg Assn #364846	7.500	12/01/26	10,384,826	10,650,885
Federal Natl Mtg Assn #379067	6.460	07/01/27	5,461,677	5,553,870
Federal Natl Mtg Assn #F061 VZ	7.000	02/25/23	7,949,163	7,973,965
Federal Natl Mtg Assn 1991-109 Z	8.500	09/25/21	10,448,789	10,912,402

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
U S TREASURY & GOVERNMENT AGENCY SECURITIES (Continued)				
Federal Natl Mtg Assn 1991-141 PZ	8.000	10/25/21	\$ 2,183,828	\$ 2,326,453
Federal Natl Mtg Assn 1992-119 Z	0.000	07/25/22	11,508,916	12,134,656
Federal Natl Mtg Assn 1992-152 M	7.750	08/25/07	2,500,000	2,682,800
Federal Natl Mtg Assn 1992-203 FA	6.188	11/25/07	6,290,413	6,345,454
Federal Natl Mtg Assn 1993-47	7.000	04/25/08	3,000,000	3,058,110
Federal Natl Mtg Assn 1996-68 SA	12.047	12/17/26	4,175,786	4,339,088
Federal Natl Mtg Assn 1997-35 C	0.000	02/18/25	5,000,000	5,146,850
Federal Natl Mtg Assn G94-13	7.000	11/17/24	9,631,198	9,619,159
Federal Natl Mtg Assn Global Bds	2.000	12/20/99	500,000,000	3,674,754
Federal Natl Mtg Assn Ser EMTN	7.250	06/20/02	6,915,000	3,549,214
FHA Project # 127-1018	7.000	01/01/29	2,556,686	2,566,273
FHA Project #072-11035-7	7.125	05/01/29	5,457,857	5,512,435
FHA Project #092-35506	7.125	05/20/35	2,590,503	2,616,408
FHA Project #112-11066	7.000	01/01/29	2,953,164	2,964,239
FHLMC-GNMA Ser 4 Cl D	8.000	12/25/22	20,000,000	21,112,400
Government Natl Mtg Assn #008595	7.000	02/20/25	170,720	174,960
Government Natl Mtg Assn #008607	6.500	02/20/25	183,569	187,985
Government Natl Mtg Assn #008608	7.000	03/20/25	121,335	124,331
Government Natl Mtg Assn #372798	7.500	02/15/24	4,391,046	4,514,523
Government Natl Mtg Assn #412492	7.500	09/15/25	6,960,356	7,156,082
Government Natl Mtg Assn #417191	7.500	01/15/26	6,814,472	7,003,983
Government Natl Mtg Assn #458892	7.000	05/15/28	7,993,709	8,121,049
Government Natl Mtg Assn #780236	7.000	07/15/08	6,320,216	6,486,122
Government Natl Mtg Assn #780287	7.000	12/15/08	31,609	32,439
Government Natl Mtg Assn 1994-2 Z	7.991	07/16/24	13,660,906	13,771,832
Government Natl Mtg Assn 1995-2 KQ	8.500	03/20/25	10,000,000	10,546,800
U S Treasury Bonds	8.750	05/15/17	1,300,000	1,750,736
U S Treasury Bonds	6.125	11/15/27	23,413,000	25,088,434
U S Treasury Bonds	6.625	02/15/27	1,526,000	1,723,190
U S Treasury Bonds	6.375	08/15/27	10,867,000	11,933,270
U S Treasury Bonds	6.625	02/15/27	35,310,000	39,872,758
U S Treasury Bonds	7.250	08/15/22	14,590,000	17,457,810
U S Treasury Notes	5.875	01/31/99	18,000,000	18,039,420
U S Treasury Notes	6.375	04/30/99	23,000,000	23,161,690
U S Treasury Notes	7.250	05/15/04	5,690,000	6,173,650
U S Treasury Notes	5.375	02/15/01	53,776,000	53,591,011
U S Treasury Notes	7.500	11/15/01	12,125,000	12,843,043
U S Treasury Notes	6.625	05/15/07	12,675,000	13,613,711
U S Treasury Notes	6.000	06/30/99	4,150,000	4,170,086
U S Treasury Notes	5.500	03/31/03	15,487,000	15,477,243
U S Treasury Notes	3.625	01/15/08	5,000,000	4,970,808
U S Treasury Notes	6.625	04/30/02	19,000,000	19,697,680
U S Treasury Notes	3.375	01/15/07	10,000,000	9,932,233
U S Treasury Notes	5.750	08/15/03	9,000,000	9,095,580
U S Treasury Notes	3.625	07/15/02	10,000,000	10,034,811
U S Treasury Notes	6.250	02/15/07	5,000,000	5,235,950
TOTAL U S TREASURY & GOVERNMENT AGENCY SECURITIES			1,218,555,731	737,577,145

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS				
Abraxas Petroleum Corp Ser D Sr Nts	11.500	11/01/04	\$ 1,250,000	\$ 1,293,750
Accuride Corp Sr Sub Nts	9.250	02/01/08	1,500,000	1,500,000
Adelphia Communications Corp Ser B Sr Nts	9.875	03/01/07	1,500,000	1,623,750
Advanced Micro Devices Inc Sr Nts	11.000	08/01/03	750,000	791,250
Advanced Radio Telecom Corp Sr Nts	14.000	02/15/07	285,000	297,825
Advantica Restaurant Group Inc Sr Nts	11.250	01/15/08	2,400,000	2,544,000
AES Corp Sr Sub Exch Nts	8.375	08/15/07	1,250,000	1,262,500
Airplanes Pass Thru Cert Trust Cl C	8.150	03/15/19	12,440,000	13,371,507
Airtouch Communications Nts	6.650	05/01/08	10,000,000	10,077,300
AK Steel Corp Sr Nts	9.125	12/15/06	500,000	522,500
Amazon Com Inc Sr Dsct Nts	10.000	05/01/08	3,000,000	1,800,000
America West Airls Inc Sr Nts	10.750	09/01/05	1,100,000	1,171,500
American Business Information Sr Sub Nts	9.500	06/15/08	1,300,000	1,306,500
American Lawyer Media Inc Sr Sub Nts	9.750	12/15/07	1,500,000	1,552,500
American Media Nts	11.625	11/15/04	1,500,000	1,620,000
American Pad & Paper Co Ser B Sr Sub Nts	13.000	11/15/05	1,385,000	1,391,925
American Std Inc Sr Nts	7.375	04/15/05	5,500,000	5,480,695
American Telecasting Inc Sr Dsct Nts	0.000	06/15/04	1,200,000	300,000
American Telecasting Inc Ser B Sr Dsct Nts	14.500	08/15/05	2,300,000	506,000
AmeriSteel Corp Sr Nts	8.750	04/15/08	1,500,000	1,500,000
Amphenol Corp Sr Sub Nts	9.875	05/15/07	1,000,000	1,065,000
Amresco Inc 1998-A Sr Sub Nts	9.875	03/15/05	1,825,000	1,843,250
Amtrol Inc Sr Sub Nts	10.625	12/31/06	430,000	428,925
App Fin VII Mauritius Ltd Gtd Nts	3.500	04/30/03	435,000	393,131
App Intl Fin Co Gtd Nts	11.750	10/01/05	500,000	440,000
Argo-Tech Corp Sr Sub Nts	8.625	10/01/07	1,000,000	1,000,000
Armco Inc Sr Nts	9.000	09/15/07	350,000	343,000
Ascent Entmt Group Inc Sr Dsct Nts	11.875	12/15/04	1,250,000	806,250
Aurora Foods Inc Ser D Sr Sub Nts	9.875	02/15/07	1,250,000	1,325,000
Bally Total Fitness Hldg Ser B Sr Sub Nts	9.875	10/15/07	2,350,000	2,420,500
Banc Tec Inc Ser 144A Nts	7.500	06/01/08	2,000,000	2,028,060
Banctec Inc Sr Nts	7.500	06/01/08	14,500,000	14,703,435
BankAmerica Manufactured Hsg Trust V	6.240	07/10/11	6,290,000	6,265,430
BankAmerica Mftd Hsg Tr V 1998-2	7.930	12/10/25	15,000,000	14,971,875
Bayou Steel Corp La Place 1st Mtg Bonds	9.500	05/15/08	1,000,000	991,250
BE Aerospace Inc Ser B Sr Sub Nts	9.875	02/01/06	2,500,000	2,650,000
Bear Stearns Mtg Secs 1996-7 A2	6.500	10/27/09	12,786,402	12,782,310
Bear Stearns Mtg Secs 1996-7 A4	6.000	01/28/09	9,000,000	8,842,500
Bear Stearns Mtg Secs 1996-7 A9	6.000	10/28/08	12,193,514	11,995,369
Beaver Valley II Fdg Corp Secd Lsg Oblig	9.000	06/01/17	5,000,000	5,717,750
Beverly Enterprises Inc Sr Nts	9.000	02/15/06	1,000,000	1,042,500
Bluegreen Corp Sr Secd Nts	10.500	04/01/08	3,000,000	3,000,000
Booth Creek Ski Hldgs Inc Ser B Sr Nts	12.500	03/15/07	600,000	642,000
Breed Technologies Inc Sr Sub Nts	9.250	04/15/08	1,000,000	977,500
BT Pfd Cap Trust II	7.875	02/25/27	10,000,000	10,531,000
BTI Telecom Corp Sr Nts	10.500	09/15/07	1,250,000	1,256,250
Cable & Wireless Communications Nts	6.375	03/06/03	1,960,000	1,961,646
Cajun Electric Power Co Nts	9.520	03/15/19	3,500,000	3,673,215

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
California Energy Inc Sr Step Up Dsct Nts	0.000	01/15/04	\$ 500,000	\$ 532,555
Casino Amer Inc F/K/A Anubis II Sr Secd Nts	12.500	08/01/03	1,200,000	1,356,000
Cathary Intl Ltd Sr Nts	13.000	04/15/08	3,650,000	3,212,000
CB Richard Ellis Svcs Inc Sr Sub Nts	8.875	06/01/06	2,000,000	1,985,000
CD Radio Inc Sr Dsct Nts	0.000	12/01/07	3,600,000	2,106,000
Centennial Cellular Corp Sr Nts	8.875	11/01/01	1,500,000	1,560,000
Century Communications Corp Sr Dsct Nts	0.000	01/15/08	1,500,000	680,625
Century Communications Corp Sr Nts	8.875	01/15/07	1,650,000	1,749,000
Chancellor Media Corp Ser B Sr Sub Nts	8.125	12/15/07	750,000	760,313
Chattem Inc Sr Sub Nts	8.875	04/01/08	500,000	497,500
Chevron Corp Svgs Plan Trust Fund Nts	8.110	12/01/04	2,935,000	3,127,859
Cityscape Finl Corp Ser A Sr Nts	12.750	06/01/04	2,540,000	1,117,600
Clark Refng & Marketing Inc Sr Nts	8.375	11/15/07	1,000,000	1,000,000
Clearnet Communications Inc Sr Dsct Nts	0.000	12/15/05	500,000	417,500
CMC Securities Corp III 1994-A10	6.750	02/25/24	4,725,020	4,707,301
CMC Securities Corp III 1998-1	6.500	03/25/28	5,000,000	4,911,719
Columbus Mckinnon Corp N Y Sr Sub Nts	8.500	04/01/08	1,000,000	982,500
Comcast Cable Comm Inc Exch Nts	8.500	05/01/27	3,000,000	3,398,970
Comcast Cellular Hldgs Inc Ser B Sr Nts	9.500	05/01/07	3,500,000	3,631,250
CompUSA Inc Gtd Sr Sub Nts	9.500	06/15/00	250,000	255,938
Container Corp America Sr Nts	9.750	04/01/03	572,000	614,900
Costilla Energy Inc Sr Nts	10.250	10/01/06	125,000	132,913
Costilla Energy Inc Sr Sub Nts	10.250	10/01/06	1,875,000	1,903,125
Coumbia/HCA Healthcare Debentures	7.250	05/20/08	750,000	727,148
Countrywide Funding Corp 1993-2 A5	6.500	09/01/08	4,193,497	4,210,355
CRIIMI MAE Inc Sr Nts	0.000	11/15/02	2,000,000	1,980,000
Cross Timbers Oil Co Ser B Sr Sub Nts	9.250	04/01/07	3,000,000	3,090,000
CSC Hldgs Inc Sr Deb	7.875	02/15/18	7,500,000	7,856,250
CSC Hldgs Inc Sr Nts	7.875	12/15/07	1,500,000	1,578,750
CSC Hldgs Inc Sr Sub Nts	9.250	11/01/05	1,000,000	1,070,000
Dailey Pete Svcs Corp Ser B Sr Nts	9.500	02/15/08	1,000,000	977,500
DecisionOne Holdings Corp Sr Sub Nts	9.750	08/01/07	500,000	482,500
DecisionOne Hldgs Corp Units	11.500	08/01/08	1,000	605,000
Del Monte Foods Co Sr Dsct Nts	12.500	12/15/07	2,500,000	1,625,000
Delta Mls Inc Ser B Sr Nts	9.625	09/01/07	1,200,000	1,182,000
Denbury Mgmt Inc Gtd Sr Sub Nts	9.000	03/01/08	1,250,000	1,228,125
Discover Card Mstr Tr 1997-2	6.792	04/16/10	10,000,000	10,187,300
Dobson Wireline Co Sr Nts	12.250	06/15/08	500,000	485,000
E Spire Communications Inc Sr Dsct Nts	12.750	04/01/06	1,000,000	785,000
Eagle Family Foods Sr Sub Nts	8.750	01/15/08	750,000	735,000
Echostar Satellite Brdstg Sr Secd Dsct Nts	13.125	03/15/04	1,000,000	918,750
Electronic Retailing Sys Inc Sr Dsct Nts	13.250	02/01/04	3,425,000	1,507,000
Emergent Group Inc Ser B Sr Nts	10.750	09/15/04	1,000,000	730,000
Empress River Casino Fin Nts	10.750	04/01/02	2,400,000	2,532,000
Equimar Shiphldg Ltd Gtd 1st Pfd Ship Mtg Nts	9.875	07/01/07	705,000	641,550
ESI Tractebel Acquisition Corp Secd Bds	7.990	12/30/11	2,500,000	2,537,475
Extended Stay Amer Inc Sr Sub Nts	9.150	03/15/08	1,650,000	1,625,250
Falcon Bldg Prods Inc Ser B Sr Sub Nts	9.500	06/15/07	1,250,000	1,225,000
Federal Mogul Corp Sr Nts	8.800	04/15/07	1,000,000	1,065,760

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
Ferintiro Finance Ser 144A Nts	8.290	04/01/20	\$ 3,000,000	\$ 3,077,250
First Union-Lehman Bros Nts	6.280	11/18/35	5,775,741	5,827,181
Fisher Scientific Intl Inc Sr Sub Nts	9.000	02/01/08	500,000	497,500
Fitzgeralds Gaming Corp New Sr Seed Nts	12.250	12/15/04	2,000,000	1,960,000
Flag Limited Sr Nts	8.250	01/30/08	750,000	755,625
Flextronics Intl Ltd Sr Sub Nts	8.750	10/15/07	500,000	503,750
Flores & Rucks Inc Sr Sub Nts	9.750	10/01/06	1,700,000	1,848,750
Fonorola Inc Sr Seed Nts	12.500	08/15/02	1,100,000	1,218,250
Foodmaker Inc New Sr Sub Nts	8.375	04/15/08	1,000,000	1,001,250
Fountain View Inc Sr Sub Nts	11.250	04/15/08	1,300,000	1,322,750
Fox/Liberty Networks LLC Inc Sr Dset Nts	9.750	08/15/07	3,500,000	2,415,000
Freeport Term Malta PLC Gtd Nts	7.250	05/15/28	2,800,000	2,867,200
Fresh Foods Inc Sr Sub Nts	10.750	06/01/08	1,300,000	1,300,000
Frontiervision Hldgs L P Sr Dset Nts	11.875	09/15/07	1,500,000	1,185,000
G E Capital Mtg Svcs Inc 1997-9	7.000	10/25/27	4,372,904	4,430,277
Gaylord Container Corp Sub Nts	9.375	06/15/07	1,000,000	962,500
General Elec Cap Svsc Inc Gtd Sub Nts	7.500	08/21/35	3,500,000	4,098,045
General Media Inc Ser B Sr Seed Nts	10.625	12/31/00	350,000	325,500
Global Health Sciences Inc Sr Nts	11.000	05/01/08	1,300,000	1,283,750
Global Marine Inc Nts	7.000	06/01/28	2,500,000	2,522,300
Global TeleSystems Group Inc Sr Nts	9.875	02/15/05	500,000	507,500
Globalstar L P Sr Nts	11.500	06/01/05	1,300,000	1,267,500
Grant Geophysical Inc Sr Nts	9.750	02/15/08	1,300,000	1,290,250
Great Central Mines Ltd Sr Nts	8.875	04/01/08	2,600,000	2,554,500
Green Tree Finl Corp 98-2	8.440	06/01/28	12,000,000	12,412,440
Green Tree Recreational Equip 1998-A Cl B-H	8.410	05/15/29	2,863,611	2,863,153
Greystone Homes Inc Gtd Sr Nts	10.750	03/01/04	2,400,000	2,592,000
GST Network Fdg Inc Sr Seed Dset Nts	10.500	05/01/08	1,130,000	678,000
GST Telecommunications Inc Sr Sub Nts	0.000	05/15/03	750,000	877,500
GTE California Inc Nts	6.750	05/15/27	3,100,000	3,116,182
GTE Corp Nts	9.100	06/01/03	8,000,000	8,972,640
GTE South Inc Debentures	6.125	06/15/07	5,000,000	4,948,600
Gulf Canada Res Ltd Sr Nts	8.350	08/01/06	5,000,000	5,364,500
Hammons John Q Hotels L P 1st Mtg Nts	8.875	02/15/04	1,850,000	1,863,875
Hawthorne Finl Corp Sr Nts	12.500	12/31/04	750,000	787,500
Hayes Wheels Intl Inc Del Ser B Sr Sub Nts	9.125	07/15/07	750,000	783,750
HMH Pptys Inc Ser B Sr Seed Nts	9.500	05/15/05	3,500,000	3,806,250
Hollywood Casino Corp Gtd Sr Seed Nts	12.750	11/01/03	1,000,000	1,095,000
Hollywood Pk Inc Ser B Sr Sub Nts	9.500	08/01/07	2,000,000	2,050,000
Homestead Stores Inc Sr Nts	10.000	08/01/03	1,000,000	945,000
Horseshoe Gaming LLC Ser B Sr Nts	12.750	09/30/00	1,100,000	1,207,250
Host Marriott Travel Plazas Ser B Sr Seed Nts	9.500	05/15/05	3,000,000	3,198,750
Houston Expl Co Sr Sub Nts	8.625	01/01/08	1,275,000	1,275,000
Hyperion Telecomm Ser B Sr Dset Nts	13.000	04/15/03	190,000	141,550
Hyperion Telecomm Ser B Sr Seed Nts	12.250	09/01/04	500,000	540,000
IBM Corp Nts	5.790	03/20/10	2,250,000	2,249,663
ICG Svcs Inc Sr Dset Nts	9.875	05/01/08	1,000,000	585,000
IDT Corp Sr Nts	8.750	02/15/06	3,775,000	3,624,000
Imax Corp Sr Exch Nts	10.000	03/01/01	600,000	624,750

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
Impac Secd Assets Trust 1998-1 B1	0.000	05/25/25	\$ 9,210,000	\$ 9,644,597
Impac Secd Assets Trust 1998-1 M2	0.000	05/25/25	4,800,000	4,933,500
Industrial Cr & Invt Corp India Ltd Nts	7.550	08/15/07	5,000,000	4,350,000
Integrated Health Svcs Inc Ser A Sr Sub Nts	9.500	09/15/07	2,000,000	2,095,000
Intermedia Communications Inc Ser B Sr Nts	8.875	11/01/07	2,500,000	2,556,250
Intermedia Communications Inc Sr Nts	8.600	06/01/08	1,750,000	1,763,125
International Wireless Comm Sr Secd Dsct Nts	0.000	08/15/01	3,400,000	578,000
Iridium Oper LLC Ser C Sr Nts	11.250	07/15/05	1,500,000	1,503,750
ITC Deltacom Inc Sr Nts	8.875	03/01/08	350,000	356,125
Ivaco Inc Sr Nts	11.500	09/15/05	1,200,000	1,314,000
IXC Communications Inc Sr Sub Nts	9.000	04/15/08	2,000,000	2,010,000
Jacor Communications Co Ser B Sr Sub Nts	8.750	06/15/07	500,000	520,000
Jafra Cosmetics Intl Inc Sr Sub Nts	11.750	05/01/08	1,300,000	1,300,000
K & F Inds Inc Ser B Sr Sub Nts	9.250	10/15/07	500,000	505,000
K Mart Corp Nts	7.750	10/01/12	14,250,000	14,356,875
Kelley Oil & Gas Corp Ser B Sr Sub Nts	10.375	10/15/06	550,000	547,250
Key Plastics Inc Ser B Sr Sub Nts	10.250	03/15/07	1,000,000	1,050,000
Keystone Home Imp Ln Tr 1997-P2 Cl IB	0.000	04/25/18	8,076,000	8,121,428
Keystone Owner Trust 1998-PI Cl B	8.790	05/25/25	9,000,000	9,056,250
Lady Luck Gaming Fin Corp 1st Mtg Nts	11.875	03/01/01	1,750,000	1,815,625
Laroche Inds Inc Ser B Sr Sub Nts	9.500	09/15/07	250,000	243,750
Lehman Bros Hldgs Inc Med Term Nts	6.375	10/23/00	3,000,000	3,020,400
Leiner Health Prods Inc Sr Sub Nts	9.625	07/01/07	1,000,000	1,062,500
Lenfest Communications Ser 144A Nts	8.250	02/15/08	1,500,000	1,560,000
Liberty Mut Ins Co Nts	7.697	10/15/97	3,000,000	3,275,970
Life Finl Hm Ln Owner Tr 1997-3 Cl B	9.090	04/25/24	5,672,656	6,191,393
LNR Ppty Corp Sr Sub Nts	0.000	03/15/08	3,125,000	3,109,375
Loewen Group Inc 1997-1	6.700	10/01/99	3,000,000	3,009,030
Long Island Ltg Debentures	7.125	06/01/05	5,111,000	5,402,634
Magellan Health Svcs Inc Sr Sub Nts	9.000	02/15/08	1,300,000	1,290,250
Marcus Cable Gtd Sr Sub Step Up Nts	0.000	08/01/04	5,300,000	5,141,000
Mariner Energy Inc Ser B Sr Sub Nts	10.500	08/01/06	1,200,000	1,230,000
Maxxim Med Inc Sr Sub Nts	10.500	08/01/06	1,100,000	1,207,250
MCI Communications Corp Debentures	7.125	06/15/27	10,000,000	10,629,200
McLeodUSA Inc Sr Nts	9.250	07/15/07	850,000	884,000
McLeodUSA Inc Sr Nts	8.375	03/15/08	1,000,000	1,002,500
Medaphis Corp Sr Nts	9.250	02/15/05	2,500,000	2,475,000
Mediacom LLC Sr Nts	8.500	04/15/08	1,500,000	1,494,375
Mediq/PRN Life Support Svcs Inc Sr Sub Nts	11.000	06/01/08	930,000	955,575
Mellon Cap I Ser 144A Cap Secs	7.720	12/01/26	4,500,000	4,796,460
Merita Bk Ltd N Y Sub Step Up Nts	7.500	12/29/49	11,005,000	11,637,127
Metal Mgmt Inc Sr Sub Nts	10.000	05/15/08	1,500,000	1,473,750
Metals USA Inc Sr Nts	8.625	02/15/08	2,000,000	1,945,000
Meyer Fred Inc Nts	7.450	03/01/08	7,000,000	7,046,760
MGC Communications Inc Ser B Sr Secd Nts	13.000	10/01/04	250,000	252,500
Money Store Residential Tr 1998-I Cl B	8.400	04/15/30	12,000,000	12,330,000
Moog Inc Ser B Sr Sub Nts	10.000	05/01/06	740,000	791,800
Motorola Inc Nts	5.220	10/01/97	2,200,000	1,678,424
MTS Inc Sr Sub Nts	9.375	05/01/05	1,300,000	1,280,500

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
Musicland Group Inc Sr Sub Nts	9.000	06/15/03	\$ 2,000,000	\$ 1,955,000
Musicland Group Inc Sr Sub Nts	9.875	03/15/08	1,500,000	1,492,500
Neenah Corp Ser B Sr Sub Nts	11.125	05/01/07	1,500,000	1,635,000
New England Tel & Teleg Co Nts	6.300	12/16/02	3,000,000	3,030,030
Newport News Shipbuilding Inc Sr Sub Nts	9.250	12/01/06	1,000,000	1,065,000
News Amer Hldg Inc Sr Debentures	9.250	02/01/13	2,000,000	2,432,480
News Amer Hldgs Inc Debentures	8.000	10/17/16	3,000,000	3,305,310
Nextel Communications Inc Sr Dset Nts	9.950	02/15/08	3,000,000	1,912,500
Nextlink Communications Inc Sr Dset Nts	9.450	04/15/08	1,000,000	615,000
Niagara Mohawk Pwr Corp 1st Mtg Bds	5.875	09/01/02	11,000,000	10,804,970
Norfolk Southern Corp Bds	7.050	05/01/37	8,000,000	8,495,120
Nortek Inc Ser B Sr Nts	9.125	09/01/07	1,000,000	1,015,000
Northern Offshore ASA Sr Nts	10.000	05/15/05	2,700,000	2,646,000
Norton McNaughton Inc Sr Nts	12.500	06/01/05	800,000	808,000
NTL Inc Sr Deferred Cpn Nts	9.750	04/01/08	2,600,000	1,690,000
Ocean Energy Inc Ser B Sr Sub Nts	8.875	07/15/07	1,000,000	1,045,000
Ocwen Finl Corp Nts	11.875	10/01/03	750,000	840,000
Olympic Finl Ltd Units	11.500	03/15/07	1,375	1,388,750
Omnipoint Sr Nts	11.625	08/15/06	2,050,000	2,173,000
Orbcomm Global L P Sr Nts	14.000	08/15/04	2,250,000	2,548,125
Orbital Imaging Corp Sr Nts	11.625	03/01/05	1,300,000	1,365,000
Orion Network Sys Inc Sr Dset Nts	12.500	01/15/07	1,700,000	1,334,500
Outdoor Sys Inc Sr Sub Nts	9.375	10/15/06	1,500,000	1,593,750
Owens & Minor Inc New Sr Sub Nts	10.875	06/01/06	2,450,000	2,670,500
Owens Illinois Inc Sr Debentures	7.800	05/15/18	6,250,000	6,410,062
P & L Coal Hldgs Corp Sr Nts	8.875	05/15/08	1,000,000	1,028,750
Pacific & Atlantic Hldgs Inc 1st Mtg Nts	11.500	05/30/08	1,950,000	1,833,000
Paging Network Inc Sr Sub Nts	10.000	10/15/08	1,600,000	1,652,000
Parker Drilling Co Ser C Sr Nts	9.750	11/15/06	3,400,000	3,468,000
Pathmark Stores Inc Sub Nts	11.625	06/15/02	500,000	505,000
Paxson Communications Corp Sr Sub Nts	11.625	10/01/02	500,000	536,250
Penn Natl Gaming Inc Sr Nts	10.625	12/15/04	600,000	630,000
Penn Traffic Co Sr Nts	10.250	02/15/02	1,210,000	955,900
Pharmerica Inc Sr Sub Nts	8.375	04/01/08	1,485,000	1,488,712
Philipp Bros Chemicals Inc Sr Sub Nts	0.000	06/01/08	680,000	684,250
Phillips Van Heusen Corp Sr Sub Nts	9.500	05/01/08	1,250,000	1,248,437
Pierce Leahy Corp Sr Sub Nts	9.125	07/15/07	520,000	533,000
Pioneer Amers Acquis Corp Ser B Sr Secd Nts	9.250	06/15/07	1,000,000	990,000
Pioneer Nat Res Co Nts	6.500	01/15/08	2,600,000	2,520,050
Plains Res Inc Ser B Sr Sub Nts	10.250	03/15/06	1,220,000	1,302,350
Plains Res Inc Ser D Sr Sub Nts	10.250	03/15/06	780,000	819,000
Pohang Iron & Stl Ltd Nts	7.375	05/15/05	250,000	202,492
Pohang Iron & Stl Ltd Nts	7.125	07/15/04	750,000	602,482
Polymer Group Inc Sr Sub Nts	8.750	03/01/08	1,000,000	998,750
Pool Energy Svcs Co Sr Sub Nts	8.625	04/01/08	1,300,000	1,248,000
Pope & Talbot Inc Debentures	8.375	06/01/13	1,100,000	1,118,535
Premier Pks Inc Sr Dset Nts	10.000	04/01/08	2,000,000	1,325,000
Presley Cos Del Sr Nts	12.500	07/01/01	750,000	705,000
Psinet Inc Sr Nts	10.000	02/15/05	1,750,000	1,785,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
PX Escrow Corp Sr Sub Dset Nts	9.625	02/01/06	\$ 2,000,000	\$ 1,440,000
QWest Comm Intl Inc Ser B Sr Dset Nts	9.470	10/15/07	1,800,000	1,350,000
Radnor Hldgs Corp Sr Nts	10.000	12/01/03	1,000,000	1,040,000
Railcar Leasing LLC Ser 1 A-2	7.125	01/15/13	2,850,000	3,033,369
Ram Energy Inc Del Sr Nts	11.500	02/15/08	1,750,000	1,776,250
Regional Indpt Media Group PLC Sr Nts	10.500	07/01/08	2,600,000	2,639,000
Rental Svc Corp Sr Sub Nts	9.000	05/15/08	950,000	950,000
Republic Bk Hm Ln Owner Tr 1997-1 Cl B	6.445	01/25/25	4,350,000	4,250,766
Republic Bk Hm Ln Owner Tr 1998-1 Cl B-1	0.000	06/25/30	2,100,000	2,099,706
Residential Fdg Mtg Secs I 1997-S5 Cl A-5	7.500	04/25/27	5,935,481	6,110,061
Residential Fdg Mtg Secs I 1997-S6	7.000	05/25/12	7,900,819	7,962,525
Residential Fdg Mtg Secs I 1998-S12 Cl A-8	6.750	05/28/28	11,000,000	10,934,990
Residential Fdg Mtg Secs I 1998-S3 Cl A-1	6.750	02/25/28	7,889,988	7,915,552
Residential Fdg Mtg Secs I 1998-S8 Cl A-3	6.500	04/25/28	10,000,000	9,877,700
Resource Amer Inc Sr Nts	12.000	08/01/04	4,300,000	4,601,000
Revlon Consumer Prods Corp Sr Sub Nts	8.625	02/01/08	1,750,000	1,750,000
Revlon Worldwide Ser B Sr Secd Dset Nts	10.750	03/15/01	2,900,000	2,254,750
Rifkin Acquisition Partners LLP Sr Sub Nts	11.125	01/15/06	1,250,000	1,375,000
RJR Nabisco Inc Nts	8.500	07/01/07	10,160,000	10,549,230
Rogers Cantel Inc Sr Secd Debentures	9.375	06/01/08	1,000,000	1,040,000
Rogers Communications Inc Nts	8.875	07/15/07	1,000,000	1,007,500
Roller Bearing Co Amer Inc Ser B Sr Sub Nts	9.625	06/15/07	1,250,000	1,278,125
Romacorp Inc Sr Nts	12.000	07/01/06	1,000,000	1,016,250
Royal Caribbean Cruises Ltd Sr Nts	6.750	03/15/08	3,000,000	3,007,680
S D Warren Co Ser B Sr Sub Nts	12.000	12/15/04	1,100,000	1,215,500
Salomon Bros Mtg Secs VII 1998-AQ	7.000	06/25/28	8,437,000	7,893,868
Samsonite Corp Nts	10.750	06/15/08	1,300,000	1,287,000
Samsung Electronics Amer Inc Gtd Nts	9.750	05/01/03	3,070,000	2,870,450
Saul B F Real Estate Invt Tr Ser B Sr Secd Nts	9.750	04/01/08	2,600,000	2,574,000
Schuff Steel Co Sr Nts	10.500	06/01/08	1,300,000	1,287,000
Sequoia Mtg Trust III A-4	6.250	06/25/28	5,070,000	5,091,213
SFX Entmt Inc Sr Sub Nts	9.125	02/01/08	1,650,000	1,617,000
Shop At Home Inc Secd Nts	11.000	04/01/05	1,000,000	1,055,000
Silgan Hldgs Inc Sr Sub Debentures	9.000	06/01/09	2,000,000	2,070,000
Simon Debartolo Group L P Nts	7.000	06/15/28	15,000,000	14,925,000
Snyder Oil Corp Sr Sub Nts	8.750	06/15/07	1,200,000	1,206,000
Source Media Inc Sr Secd Nts	12.000	11/01/04	2,000,000	2,040,000
Sovereign Specialty Chem Ser B Sr Sub Nts	9.500	08/01/07	500,000	512,500
Sprint Spectrum L P Nts	11.000	08/15/06	1,600,000	1,852,000
Standard Coml Corp Sr Nts	8.875	08/01/05	1,300,000	1,274,000
Standard Pac Corp New Sr Nts	8.500	06/15/07	1,500,000	1,522,500
Styling Technology Corp Sr Sub Nts	10.875	07/01/08	1,250,000	1,268,750
Sun Healthcare Group Inc Sr Sub Nts	9.385	05/01/08	1,300,000	1,306,500
Tatneft Fin PLC Reg Nts	9.000	10/29/02	500,000	402,000
Tekni-Plex Inc Ser B Sr Sub Nts	9.250	03/01/08	500,000	500,000
Tele Communications Inc Debentures	9.800	02/01/12	10,000,000	12,863,100
Telecommunications Techniques Sr Sub Nts	9.750	05/15/08	795,000	812,887
Telesystem Intl Wireless Ser B Sr Dset Nts	13.250	06/30/07	850,000	565,250
Teligent Inc Sr Nts	11.500	12/01/07	1,350,000	1,366,875

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC BONDS (Continued)

DESCRIPTION	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
CORPORATE BONDS (Continued)				
Tembec Fin Corp Gtd Sr Nts	9.875	09/30/05	\$ 1,000,000	\$ 1,055,000
Tenet Healthcare Corp Sr Nts	7.875	01/15/03	4,915,000	5,001,013
Tenet Healthcare Corp Sr Sub Nts	8.625	01/15/07	3,000,000	3,075,000
Tenet Healthcare Corp Sr Sub Nts	8.125	12/01/08	500,000	501,250
Terex Corp New Gtd Sr Sub Nts	0.000	04/01/08	500,000	492,500
Texas Utilities Nts	8.175	02/01/37	6,000,000	6,293,520
Thermadyne Hldgs Corp New Sr Dsct Deb	12.500	06/01/08	3,600,000	1,962,000
Time Warner Inc Debentures	8.180	08/15/07	8,500,000	9,471,465
Toll Corp Sr Sub Nts	7.750	09/15/07	500,000	496,800
Traffic Stream BVI Infra Ltd Sr Secd Nts	14.250	05/01/06	1,475,000	1,439,969
Trans World Airs Inc Sr Nts	11.385	03/01/06	1,900,000	1,902,375
Trans World Airs Inc Sr Secd Nts	11.500	12/15/04	1,050,000	1,103,813
Tri-State Outdoor Media Group Inc Sr Nts	11.000	05/15/08	1,300,000	1,316,250
TSF Communications Corp Ser B Sr Sub Nts	10.375	11/01/07	1,800,000	1,831,500
Tuesday Morning Corp Ser B Sr Sub Nts	11.000	12/15/07	1,000,000	1,055,000
Twentieth Century Telecom Sr Dsct Nts	0.000	02/15/08	3,000,000	1,665,000
UCAR Global Enterprises Inc Sr Sub Nts	12.000	01/15/05	1,580,000	1,718,250
UCFC Funding Corp 98 B-1	7.312	08/15/22	6,600,000	6,682,500
UIH Australia/Pac Inc Ser B Sr Dsct Nts	14.000	05/15/06	4,850,000	3,395,000
Ultralpetrol Bahamas Ltd 1st Pfd Ship Mtg Nts	10.500	04/01/08	380,000	371,450
Unicco Svc Co Ser B Sr Sub Nts	9.875	10/15/07	1,000,000	1,010,000
Union Carbide Corp Nts	7.750	10/01/96	3,000,000	3,286,440
Union Planters Bk Natl Assn Sub Nts	6.500	03/15/18	7,500,000	7,461,750
Unisys Corp Nts	11.750	10/15/04	3,000,000	3,465,000
United Artists Theatre Co Sr Sub Nts	9.750	04/15/08	500,000	498,750
United Rentals Inc Sr Sub Nts	9.500	06/01/08	2,000,000	2,080,000
United States Filter Corp New Nts	6.500	05/15/13	7,500,000	7,554,975
Universal Hosp Svcs Inc Sr Nts	10.250	03/01/08	1,000,000	1,000,000
Valuejet Inc Sr Nts	10.250	04/15/01	2,225,000	2,163,812
Verio Inc Sr Nts	10.375	04/01/05	475,000	489,250
Viacom Inc Sub Exch Debentures	8.000	07/07/06	1,950,000	2,013,375
Viasystems Inc Ser B Sr Sub Nts	9.750	06/01/07	1,000,000	987,500
Viasystems Inc Sr Sub Nts	9.750	06/01/07	500,000	520,000
Viatel Inc Units	12.500	04/15/08	350	211,750
Viatel Inc Units	11.250	04/15/08	1,500	1,567,500
Wainoco Oil Corp Sr Nts	9.125	02/15/06	1,000,000	1,007,500
Weirton Stl Corp Sr Nts	11.375	07/01/04	750,000	798,750
Wesco Distr Inc Sr Sub Nts	8.125	06/01/08	1,350,000	1,336,500
Western Finl Bk FSB Irvine Cal Sub Cap Deb	7.875	08/01/07	1,000,000	920,000
Westpoint Stevens Inc Sr Nts	7.875	06/15/08	345,000	346,294
Winstar Communications Inc Sr Dsct Nts	0.000	10/15/05	2,500,000	2,075,000
Winstar Communications Inc Sr Sub Nts	10.000	03/15/08	650,000	646,750
Winstar Communications Inc Sr Sub Nts	11.000	03/15/08	250,000	248,125
Winstar Communications Inc Sr Sub Nts	15.000	03/01/07	750,000	986,250
Xerox Corp Ser C Med Term Nts	5.875	06/15/37	5,550,000	5,737,479
Young Broadcasting Inc Ser B Sr Sub Nts	8.750	06/15/07	1,000,000	1,045,000
TOTAL CORPORATE BONDS			<u>886,979,858</u>	<u>884,032,015</u>
TOTAL DOMESTIC BONDS			<u>\$ 2,105,535,589</u>	<u>\$ 1,621,609,160</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL BONDS

<u>DESCRIPTION (BY CURRENCY)</u>	<u>COUPON RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>MARKET VALUE (USD)</u>
AUSTRALIAN DOLLAR				
Australia Government Bond	13.000	07/15/00	35,000,000	\$ 24,902,494
Australian Government Bond Series 1106	6.750	11/15/06	17,000,000	11,392,989
New South Wales	8.000	03/01/08	600,000	430,296
New South Wales Treasury Corp	8.000	12/01/01	15,000,000	9,997,368
Queensland Treasury Corp	6.500	06/14/05	9,940,000	6,429,237
TOTAL AUSTRALIAN DOLLAR			<u>77,540,000</u>	<u>53,152,384</u>
CANADIAN DOLLAR				
Government of Canada	7.250	06/01/07	2,800,000	2,156,263
Government of Canada	9.000	06/01/25	3,378,000	3,406,575
Government of Canada	4.750	09/15/99	52,000,000	35,161,705
Government of Canada	10.250	03/15/14	14,000,000	14,301,497
Government of Canada Series A79	10.250	12/01/05	14,000,000	11,474,555
TOTAL CANADIAN DOLLAR			<u>86,178,000</u>	<u>66,500,595</u>
DANISH KRONE				
Kingdom of Denmark	7.000	11/15/07	62,570,000	10,476,855
Kingdom of Denmark	8.000	03/15/06	26,040,000	4,532,481
Kingdom of Denmark	6.000	12/10/99	107,360,000	15,989,251
Unikredit	6.000	10/01/29	25,650,000	3,616,063
TOTAL DANISH KRONE			<u>221,620,000</u>	<u>34,614,650</u>
DEUTSCHE MARK				
Bundesrepublik Deutschland Series 98	5.625	01/04/28	34,416,000	19,791,583
Deutsche Pfandbrief-Und Hypotheken	4.750	03/20/03	13,900,000	7,771,678
Federal Republic of Germany	6.500	07/04/27	20,234,000	13,082,037
Federal Republic of Germany	6.500	07/15/03	30,591,000	18,493,572
Federal Republic of Germany	6.000	07/04/07	106,414,000	64,160,860
Federal Republic of Germany	6.250	01/04/24	39,440,000	24,625,417
Federal Republic of Germany	6.000	01/05/06	21,760,000	13,031,889
Federal Republic of Germany	6.000	02/16/06	63,289,000	37,931,322
Federal Republic of Germany	5.750	08/22/00	75,000,000	42,980,608
Federal Republic of Germany Series 97	4.250	12/17/99	46,460,000	25,852,866
Government of Canada	4.875	07/07/08	9,480,000	5,222,666
TOTAL DEUTSCHE MARK			<u>387,816,000</u>	<u>228,986,291</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL BONDS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>COUPON RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>MARKET VALUE (USD)</u>
FRENCH FRANC				
Government of France	8.500	10/25/19	6,570,000	\$ 1,531,660
Government of France	7.750	04/12/00	58,130,000	10,218,419
TOTAL FRENCH FRANC			<u>64,700,000</u>	<u>11,750,079</u>
GREEK DRACHMA				
Kingdom of Greece	8.800	06/19/07	1,506,000,000	5,232,419
TOTAL GREEK DRACHMA			<u>1,506,000,000</u>	<u>5,232,419</u>
ITALIAN LIRA				
Republic of Italy	8.500	08/01/99	34	19,668,857
Republic of Italy	7.500	10/01/99	11	6,618,581
TOTAL ITALIAN LIRA			<u>45</u>	<u>26,287,438</u>
JAPANESE YEN				
Government of Japan	3.000	09/20/05	1,733,150,000	13,867,967
Government of Japan	4.700	09/22/03	546,850,000	4,653,068
Government of Japan Series 203	1.800	06/20/08	2,731,250,000	19,988,721
Republic of Italy	3.500	06/20/01	1,900,000,000	14,768,368
TOTAL JAPANESE YEN			<u>6,911,250,000</u>	<u>53,278,124</u>
NETHERLANDS GUILDER				
Dutch Government	5.250	07/15/08	17,213,000	8,732,580
Government of Netherlands	7.500	06/15/99	4,250,000	2,158,846
Government of Netherlands	8.250	02/15/07	5,500,000	3,356,725
Government of Netherlands	5.750	01/15/04	16,130,000	8,397,241
Government of Netherlands	8.250	09/15/07	40,000,000	24,628,844
International Bank for Rec & Dev	4.500	06/20/00	1,000,000,000	7,745,805
Netherland Gov't Tranche I & II	8.750	09/15/01	30,000,000	16,679,774
TOTAL NETHERLANDS GUILDER			<u>1,113,093,000</u>	<u>71,699,815</u>
NEW ZEALAND DOLLAR				
Government of Canada	6.625	10/03/07	15,470,000	7,859,875
Government of New Zealand	7.000	07/15/09	11,345,000	6,191,812
Government of New Zealand	6.500	02/15/00	12,000,000	6,168,065
Government of New Zealand	8.000	04/15/04	13,700,000	7,560,318
Government of New Zealand	8.000	02/15/01	10,000,000	5,308,399
Government of New Zealand	10.000	03/15/02	7,000,000	3,992,587
International Bank for Rec & Dev Ser EMTN Dsct Nts	0.000	08/20/07	26,980,000	7,597,929

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL BONDS (Continued)

DESCRIPTION (BY CURRENCY)	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE (USD)
NEW ZEALAND DOLLAR (Continued)				
World Bank Series EMTN	7.000	09/18/00	6,000,000	\$ 3,071,792
TOTAL NEW ZEALAND DOLLAR			<u>102,495,000</u>	<u>47,750,777</u>
NORWEGIAN KRONE				
Kingdom of Norway	6.750	01/15/07	31,160,000	4,383,555
TOTAL NORWEGIAN KRONE			<u>31,160,000</u>	<u>4,383,555</u>
POUND STERLING				
United Kingdom Treasury	7.250	12/07/07	46,240,000	84,800,018
United Kingdom Treasury	8.000	12/07/15	20,937,000	43,757,038
United Kingdom Treasury	8.000	09/27/13	3,067,581	6,252,698
United Kingdom Treasury	7.000	06/07/02	4,433,000	7,526,410
TOTAL POUND STERLING			<u>62,975,581</u>	<u>119,984,255</u>
SOUTH AFRICAN RAND				
Republic of South Africa	13.000	08/31/10	65,000,000	9,741,158
Republic of South Africa	12.500	01/15/02	60,000,000	9,390,343
Republic of South Africa	12.500	12/21/06	30,000,000	4,436,470
TOTAL SOUTH AFRICAN RAND			<u>155,000,000</u>	<u>23,567,971</u>
SPANISH PESETA				
Government of Spain	10.300	06/15/02	735,000,000	5,792,519
Government of Spain	5.250	01/31/03	500,000,000	3,356,193
Kingdom of Spain	7.900	02/28/02	1,521,800,000	11,071,287
Kingdom of Spain	7.350	03/31/07	670,000,000	5,109,134
TOTAL SPANISH PESETA			<u>3,426,800,000</u>	<u>25,329,133</u>
SWEDISH KRONA				
Government of Sweden	10.250	05/05/03	112,000,000	17,433,033
Kingdom of Sweden	6.500	10/25/06	169,400,000	23,502,390
Kingdom of Sweden	8.000	08/15/07	141,400,000	21,655,478
Kingdom of Sweden	6.000	02/09/05	50,100,000	6,716,436
Kingdom of Sweden	6.500	10/25/06	20,000,000	2,774,780
Kingdom of Sweden	6.000	02/09/05	34,000,000	4,558,060
TOTAL SWEDISH KRONA			<u>472,900,000</u>	<u>69,307,337</u>
U S DOLLAR				
Abitibi-Consolidated Inc	6.950	04/01/08	6,500,000	6,567,600

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL BONDS (Continued)

DESCRIPTION (BY CURRENCY)	COUPON RATE	MATURITY DATE	PAR VALUE	MARKET VALUE (USD)
U S DOLLAR (Continued)				
ABN-Amro Bank NV	7.125	10/15/93	3,100,000	\$ 3,259,991
Bangkok Bk Pub Ltd	7.250	09/15/05	750,000	590,663
Celulosa Arauco Y Constitucion	6.750	12/15/03	3,200,000	3,158,400
Cia Siderurgica Nacional Iron Panama	9.125	06/01/07	750,000	596,250
Conproca S A De C V	12.000	06/16/10	1,300,000	1,319,500
Consortio G Grupo	0.000	11/15/02	1,000,000	920,000
Empresa Electrica Del Norte Grande S A	10.500	06/15/05	1,300,000	1,326,000
Export-Import Bank of Korea	7.100	03/15/07	2,800,000	2,450,000
Gcb Reg Guangdongf	8.875	05/22/07	500,000	443,750
Gcb Regs Indl Credit	7.550	08/15/07	6,100,000	5,299,375
Gcb Regs Petroliam	7.625	10/15/26	3,000,000	2,265,000
Globo Comunicacoes Part	10.500	12/20/06	1,250,000	1,112,500
Government of Brazil	Flt	01/01/01	10,000,000	6,658,400
Government of Canada	6.500	05/30/01	8,060,000	8,221,200
Government of Philippines	Adj	12/01/17	7,200,000	6,300,000
Government of Poland	Step	10/27/24	10,000,000	6,598,000
Grupo Indl Durango S A De	12.625	08/01/03	1,000,000	1,065,000
Hutchison Whampoa Fin C I Ltd	7.450	08/01/17	800,000	634,728
Ind Cr Inv India	7.550	08/15/07	5,000,000	4,343,750
Innova S De R L	12.875	04/01/07	1,250,000	1,268,750
International Bank Rec & Dev	7.625	01/19/23	2,400,000	2,913,000
Korea Electric Power Corp	6.375	12/01/03	3,000,000	2,576,250
Korea Telecom	7.625	04/15/07	1,000,000	780,120
Korea Telecom	7.500	06/01/06	500,000	393,630
Mexico (United Mexico States) Rights	6.250	06/30/03	6,500,000	0
Midland Bank	7.625	06/15/06	1,000,000	1,069,240
Millicom Intl Cellular S A	0.000	06/01/06	2,400,000	1,872,000
Ministry Finance Russia	10.000	06/26/07	500,000	380,850
Mrs Logistica S A	10.625	08/15/05	500,000	417,500
Multicanal S A	9.250	02/01/02	500,000	488,750
Net Sat Servicios LTDA	12.750	08/05/04	190,000	180,025
Newfoundland Prov Canada	6.150	04/17/28	1,500,000	1,045,925
Ocean Rig Norway As	10.250	06/01/08	1,000,000	950,000
Octel Devs PLC	10.000	05/01/06	900,000	918,000
Petroleos Mexicanos	8.850	09/15/07	1,000,000	960,000
Petroleos Mexicanos Med Term Nts	9.250	03/30/18	5,000,000	4,650,000
Philippine Long Distance Telephone Co	7.850	03/06/07	1,500,000	1,337,085
Pindo Deli Fin Mauritius Ltd	10.750	10/01/07	500,000	350,000
Province of Ontario	7.750	06/04/02	1,800,000	1,910,250
Province of Ontario Canada	6.500	03/08/29	5,000,000	3,720,700

LIST OF INVESTMENTS

AS OF JUNE 30, 1998

INTERNATIONAL BONDS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>COUPON RATE</u>	<u>MATURITY DATE</u>	<u>PAR VALUE</u>	<u>MARKET VALUE (USD)</u>
U S DOLLAR (Continued)				
Province of Quebec Global Issuance CDS	9.375	01/16/23	25,000,000	\$ 3,907,256
Repap New Brunswick Inc	9.000	06/01/04	445,000	447,225
Repap New Brunswick Inc	10.625	04/15/05	750,000	757,500
Republic of Argentina	11.375	01/30/17	14,650,000	15,602,250
Republic of Columbia	7.625	02/15/07	23,920,000	21,509,250
Republic of Korea	8.875	04/15/08	13,910,000	12,733,238
Republic of Panama	8.875	09/30/27	5,000,000	4,725,000
Republic of Venezuela	9.250	09/15/27	500,000	387,500
Sony Corp	3.000	05/17/00	354	631,448
Statoil Series 144A	7.375	05/01/16	720,000	788,976
Tevecap SA	12.625	11/26/04	750,000	652,500
Thai Farmers Bank Public Co Ltd	8.250	08/21/16	750,000	536,250
TV Azteca S A De C V	10.500	02/15/07	750,000	748,125
TOTAL U S DOLLAR			<u>198,695,354</u>	<u>154,738,700</u>
TOTAL INTERNATIONAL BONDS			<u>14,903,092,980</u>	<u>\$ 1,062,873,639</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS

DESCRIPTION	SHARES	MARKET VALUE
A T & T Corp	312,100	\$ 17,828,712
Aames Finl Corp	75,600	1,039,500
AAR Corp	5,200	153,728
Aavid Thermal Technologies Inc	23,200	678,600
Abbott Labs	446,500	18,306,500
Abercrombie & Fitch Co Cl A	40,400	1,777,616
ABM Industries Inc	1,100	30,662
Acceptance Insurance Cos Inc	2,800	68,776
Ackerley Group Inc	1,600	33,600
ACNielsen Corp	147,666	3,737,869
Acuson	1,700	30,920
ACX Technologies Inc	3,100	67,425
Acxiom Corp	20,000	498,760
ADAC Labs	1,400	31,500
Adaptec Inc	657,400	9,409,366
Adelphia Communications Corp Cl A	2,800	103,950
Adobe Systems Inc	1,500	63,657
Advanced Ltg Technologies Inc	53,600	1,246,200
Advanced Micro Devices Inc	3,000	51,189
ADVANTA Corp	5,100	111,884
Advantica Restaurant Group Inc	3,800	37,050
Advent Software Inc	80,000	3,360,000
Advest Group Inc	1,600	46,200
ADVO Inc	101,100	2,849,807
Aeroquip-Vickers Inc	600	35,025
AES Corp	235,000	12,352,305
Aetna Inc	246,700	18,780,037
AFC Cable Systems Inc	900	31,950
Affiliated Community Bancorp Inc	1,400	50,925
Affiliated Managers Group Inc	24,900	924,412
Aftermarket Technology Corp	89,100	1,670,625
AGL Resources Inc	82,400	1,632,591
Agouron Pharmaceuticals Inc	64,700	1,961,251
Agribrands Intl Inc	1,600	48,400
Agrium Inc	297,000	3,749,625
Ahmanson H F & Co	56,800	4,032,800
Air Express Intl Corp	200,300	5,358,025
Air Prods & Chems Inc	54,200	2,168,000
Airborne Freight Corp	90,000	3,144,420
Airgas Inc	3,200	46,000
Airtouch Communications	249,200	14,562,749
AirTran Hldgs Inc	4,000	30,124
AK Steel	10,000	178,750
Alaska Air Group Inc	28,400	1,549,589
Albank Finl Corp	2,800	197,576
Albany Intl Corp New Cl A	3,800	90,964
Albemarle Corp	4,800	105,902
Alberto Culver Co	1,300	37,700
Albertsons Inc	5,500	284,971

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Alexander & Baldwin Inc	170,100	\$ 4,954,162
Alexandria Real Estate Equities Inc	2,100	62,870
Alexion Pharmaceuticals Inc	63,500	635,000
Alfa Corp	5,400	112,050
Aliant Communications Inc	5,300	145,421
Allegheny Teledyne Inc	4,400	100,650
Allegiance Corp	193,000	9,891,250
Allen Telecom Inc	5,400	62,775
Allergan Inc	176,600	8,189,826
Alliant Techsystems Inc	49,000	3,099,250
Allied Group Inc	3,200	149,802
Allied Signal Inc	329,500	14,621,562
Allmerica Finl Corp	106,287	6,908,655
Allstate Corp	80,094	7,333,647
ALLTEL Corp	4,100	190,650
ALPHARMA Inc Cl A	3,800	83,600
Alternative Living Svcs Inc	138,500	3,739,500
Aluminum Co of Amer	106,500	7,022,396
ALZA Corp Cl A	110,400	4,774,800
Ambac Inc	205,400	12,015,900
Amcast Indl Corp	56,900	1,059,762
AMCOL Intl Corp	5,500	66,346
Amcore Finl Inc	5,900	141,600
Amerada Hess Corp	2,000	108,626
Amerco	1,800	52,988
Ameren Corp	3,100	123,225
America West Hldg Corp Cl B	9,100	259,923
American Annuity Group Inc	1,800	43,313
American Business Finl Svcs Inc	30,000	660,000
American Business Prods Inc	3,500	71,750
American Disp Svcs Inc	34,200	1,603,125
American Elec Pwr Inc	4,300	195,112
American Express Co	156,300	17,779,125
American Freightways Corp	4,600	46,000
American Gen Corp	138,700	9,873,776
American Gen Hospitality	5,300	112,625
American Greetings Corp Cl A	13,300	677,476
American Health Pptys Inc	4,900	122,500
American Heritage Life Invt Corp	3,500	80,937
American Home Patient Inc	900	17,212
American Home Prods Corp	600,400	31,070,700
American Intl Group Inc	126,462	18,463,452
American Mgmt Sys Inc	220,000	6,586,360
American Oncology Res Inc	3,000	36,657
American Power Conversion	9,900	297,000
American Std	123,700	5,527,906
American Stores Co New	287,700	6,958,888
AmeriCredit Corp	94,000	3,354,672
Amerin Corp	1,600	46,701
Ameritech Corp	246,700	11,070,662

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Ameron Intl Corp	900	\$ 52,032
Amerus Life Hldgs Inc	3,800	123,025
Ames Dept Stores Inc	3,200	84,202
Amgen Inc	97,800	6,393,675
Amkor Technology Inc	143,400	1,339,930
Amli Residential Pptys Trust	3,000	64,314
Amoco Corp	134,500	5,615,375
AMP Inc	4,900	168,437
AMR Corp Del	119,200	9,923,400
Anadarko Pete Corp	1,300	87,344
Analogic Corp	1,100	49,225
Analysts Intl Corp	50,000	1,418,750
Anchor Gaming	29,700	2,305,462
Andrew Corp	2,000	36,126
Anheuser Busch Cos Inc	30,600	1,443,953
Anicom Inc	16,000	238,000
Anixter Intl Inc	5,000	95,315
Ann Taylor Stores Corp	170,700	3,616,791
ANTEC Corp	204,100	4,732,671
Anthracite Cap Inc	70,500	978,187
AON Corp	197,900	13,902,475
Apache Corp	185,900	5,855,850
Apogee Enterprises Inc	6,100	93,409
Apollo Group Cl A	67,500	2,231,752
Apple Computer	3,000	86,064
Apple South Inc	2,500	32,657
Applebees Intl Inc	3,000	67,125
Applied Graphics Technologies Inc	36,100	1,651,575
Applied Indl Technologies Inc	4,500	92,533
Applied Materials Inc	553,200	16,319,400
Applied Power Inc Cl A	1,000	34,375
Apria Healthcare Group Inc	119,100	796,541
Aptar Group Inc	78,710	4,894,817
Aquarion Co	1,600	54,701
Aquila Gas Pipeline Corp	2,500	30,625
Arcadia Finl Ltd	8,500	64,285
Arch Coal Inc	4,000	99,500
Archer Daniels Midland Co	288,414	5,588,021
Arctic Cat Inc	4,600	45,425
Ardent Software Inc	13,200	181,500
Area Bancshares Corp New	300	10,200
Argonaut Group Inc	3,800	120,175
Arkansas Best Corp	169,000	1,584,375
ARM Finl Group Inc Cl A	5,100	112,837
Armco Inc	173,200	1,104,150
Armstrong World Inds Inc	900	60,637
Arnold Inds Inc	4,400	64,900
Arrow Intl Inc	1,200	32,926
Artesyn Technologies Inc	85,000	1,360,000
Arthrocare Corp	122,800	2,041,550

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Arvin Inds Inc	15,500	\$ 562,851
ASA Hldgs Inc	1,500	74,437
ASARCO Inc	9,000	200,250
Ascend Communications Inc	4,300	213,121
Ascent Entmt Group Inc	6,400	71,200
Ashland Inc	46,100	2,379,912
Aspect Dev Inc	21,400	1,618,375
Aspen Technologies	59,900	3,024,950
Assisted Living Concepts Inc	62,200	1,072,950
Associated Banc Corp	192,553	7,244,788
Associated Estate Realty Corp	2,000	37,376
Associated Group Inc Cl A	6,200	254,200
Associates First Cap Corp Cl A	87,800	6,755,158
Astoria Finl Corp	74,003	3,959,160
ATL Ultrasound Inc	700	31,937
Atlantic Data Svcs Inc	35,000	671,580
Atlantic Richfield Co	14,500	1,132,812
Atmos Energy Corp	6,600	201,300
Atria Cmnty Inc	38,300	660,675
Aura Sys Inc	17,500	33,915
Authentic Fitness Corp	26,600	420,626
Autodesk Inc	158,900	6,137,512
Autoliv Inc	221,000	6,989,125
Automatic Data Processing Inc	250,600	18,262,475
Autozone Inc	3,400	108,589
Avant Corp	1	17
Avatar Hldgs Inc	1,300	36,237
Avery Dennison Corp	42,600	2,289,750
Aviall Inc New	90,200	1,234,657
Avid Technology Inc	48,400	1,621,400
Avis Rent A Car Inc	5,700	141,075
Avon Prods Inc	147,700	11,437,592
Avondale Inds Inc	93,300	2,574,520
Aztar Corp	9,900	67,449
B J Services	90,000	2,615,670
BA Merchant Svcs Inc Cl A	1,600	32,301
Bacou USA Inc	800	16,650
Baker Hughes Inc	78,900	2,727,020
Balance Bar Co	50,600	727,375
Baldor Elec Co	4,100	99,937
Baldwin & Lyons Cl B	2,600	60,450
Ball Corp	252,200	10,135,415
Ballard Medical Prods	1,800	32,400
Baltimore Gas & Elec Co	3,300	102,508
Banc One Corp	127,150	7,096,622
Bancfirst Ohio Corp	1,000	33,688
BancorpSouth Inc	9,800	205,800
BancTec Inc	4,700	108,687
Bandag Inc	3,000	117,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Bank Granite Corp	8,250	\$ 259,875
Bank New York Inc	153,400	9,338,225
Bank North Group Inc	3,000	111,000
Bank Plus Corp	4,200	51,450
Bank United Corp Cl A	38,000	1,819,250
BankAmerica Corp	140,300	12,135,950
BankAtlantic Bancorp Inc	7,200	92,700
BankBoston Corp	6,600	367,125
Bankers Trust N Y Corp	42,400	4,921,072
BankUnited Finl Corp Cl A	2,500	41,250
Banta George Inc	6,500	200,687
Bard C R Inc	1,300	49,482
Barnes & Noble Inc	215,000	8,089,375
Barnes Group Inc	1,200	32,476
Barrett Resources Corp	80,900	3,028,734
Bassett Furniture Inds Inc	2,900	81,745
Battle Mtn Gold Co Cl A	11,200	66,506
Bausch & Lomb Inc	1,200	60,150
Baxter Intl Inc	183,600	9,880,067
Bay Networks Inc	5,000	160,315
Bay View Cap Corp Del	73,100	2,320,925
Baystates Gas Co New	3,000	114,939
BB&T Corp	3,200	216,400
BE Aerospace Inc	82,500	2,402,812
Bear Stearns Cos Inc	34,200	1,945,125
BEC Energy	113,000	4,689,500
Beckman Coulter Inc	132,100	7,694,825
Becton Dickinson & Co	2,800	217,350
Bed Bath & Beyond	106,000	5,492,178
Bedford Ppty Invs Inc	4,900	88,200
BEI Technologies Inc	4,800	91,800
Belden Inc	2,300	70,437
Bell & Howell Co New	1,200	30,976
Bell Atlantic Corp	108,720	4,960,350
BellSouth Corp	197,700	13,270,612
Belo A H Corp	190,000	4,631,250
Bemis Inc	111,200	4,545,300
Beneficial Corp	1,200	183,826
Benton Oil & Gas Co	6,500	69,062
Berg Electronics Corp	33,800	661,229
Beringer Wine Estates Hldgs Inc Cl B	55,000	2,423,465
Berkshire Rlty Inc	8,000	93,504
Best Buy Inc	104,800	3,785,900
Bestfoods	201,500	11,699,694
Bethlehem Steel Corp	247,000	3,072,185
Betz Labs Inc	51,000	2,110,125
Beverly Enterprises Inc	130,000	1,820,000
Bindley Western Inds Inc	3,500	115,500
Bio Chem Pharma Inc	71,500	1,894,750
Bio Rad Labs Inc Cl A	2,300	70,437

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Biogen Inc	42,500	\$ 2,082,500
Biomet Inc	122,500	4,050,217
Bioreliance Corp	69,200	1,042,360
Birmingham Steel Corp	49,600	613,800
BISYS Group Inc	165,000	6,765,000
Black & Decker Corp	170,600	10,406,600
Black Hills Pwr & Lt Co	4,200	96,600
Blair Corp	1,700	54,400
Blanch EW Hldgs Inc	900	33,075
Block Drug Inc Cl A	3,000	114,000
Block H & R Inc	54,300	2,287,387
Blount Intl Inc Cl A	3,700	105,450
BMC Inds Inc Minn	5,900	50,887
Bob Evans Farms Inc	379,100	8,032,371
Boeing Co	154,100	6,867,158
Boise Cascade Corp	1,300	42,575
Boise Cascade Office Prods	2,300	35,650
BOK Finl Corp	1,000	47,250
Borg Warner Automotive Inc	4,800	230,702
Borg Warner Secs Corp	64,300	1,454,787
Boston Scientific Corp	4,400	315,150
Bowater Inc	86,900	4,106,025
Bowne & Co Inc	4,000	180,000
Boyd Gaming Corp	215,600	1,239,700
Boykin Lodging Trust Inc	3,400	72,250
Bradley Real Estate	5,200	109,850
Brady W H Co Cl A	1,200	33,376
Brandywine Realty Trust	7,000	156,625
BRC Hldgs Inc	1,800	34,538
BRE Pptys Inc Cl A	9,300	242,386
Breed Technologies Inc	58,500	895,810
Briggs & Stratton Corp	1,300	48,669
Brightpoint Inc	118,200	1,713,900
Brinker Intl Inc	60,000	1,155,000
Brio Technology Inc	48,900	654,037
Bristol Hotel Co	6,900	169,050
Bristol Myers Squibb Co	411,300	47,273,999
Broderbund Software	3,300	75,283
Brookline Bancorp Inc	2,100	31,237
Brown Forman Corp Cl B	1,500	96,375
Brown Group Inc	323,800	6,435,525
Brown Tom Inc	3,900	73,371
Browning Ferris Inds Inc	233,500	8,114,125
Brunswick Corp	2,200	54,450
Brush Wellman Inc	3,600	74,027
Brylane Inc	36,200	1,665,200
BSB Bancorp Inc	1,500	45,375
BT Financial Corp	2,700	71,550
BT Office Prods Intl Inc	2,400	32,400
Buckle Inc	900	26,550

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Budget Group Inc Cl A	3,500	\$ 111,783
Buffets Inc	7,100	111,385
Burlington Coat Factory Whse Corp	4,300	96,750
Burlington Inds Inc New	413,100	5,809,425
Burlington Northern Santa Fe Corp	228,400	22,426,139
Burlington Resources Inc	86,000	3,703,418
Burnham Pacific Pptys Inc	5,100	72,359
Bush Boake Allen Inc	119,300	3,497,041
Bush Inds Inc Cl A	1,600	34,800
Butler Mfg Co Del	1,300	44,282
C & D Technologies Inc	500	29,000
C D I Corp	1,100	29,425
C H Robinson Worldwide Inc	167,100	4,156,612
C P Clare Corp	38,900	369,550
Cable Design Tech	1,600	33,000
Cabletron Sys Inc	153,900	2,068,108
Cabot Indl Trust	3,700	79,087
Cabot Oil & Gas Corp Cl A	3,600	72,000
Calgon Carbon Corp	269,700	2,680,279
California Water Svc Group	100	2,512
Callaway Golf Co	95,000	1,870,360
Calmat Co	183,300	4,032,600
Calpine Corp	4,400	88,827
Cambrex Corp	2,200	57,750
Cambridge Technology Partners	59,600	3,255,650
Camden Ppty Trust	9,700	288,575
Campbell Soup Co	55,200	2,932,500
Canadian Pacific Ltd New	190,000	5,391,250
Canandaigua Wine Inc Cl A	36,140	1,777,654
Capital Automotive REIT	4,200	59,590
Capital One Finl Corp	1,500	186,282
Capital Re Corp	4,800	171,900
Capitol Transamerica	1,900	39,070
CapStar Hotel Co	4,000	112,000
Capstead Mortgage Corp	13,400	113,069
Capstone Capital Corp	4,900	112,700
Caraustar Inds Inc	34,900	1,007,737
Cardinal Health Inc	86,100	8,071,875
Caribiner Intl Inc	55,100	964,250
Carmike Cinemas Inc Cl A	42,000	1,131,396
Carnival Corp Cl A	183,600	7,275,150
Carolina First Corp	3,900	98,962
Carolina Pwr & Lt Co	3,400	147,475
Carpenter Technology Corp	4,400	221,100
Carter Wallace Inc	4,900	89,121
Case Equip Corp	25,400	1,225,550
Cash Amer Invts Inc	4,800	73,200
Castle & Cooke Inc New	3,400	64,600
Castle A M & Co	2,400	52,800
Caterpillar Inc Del	173,200	9,163,319

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Cathay Bancorp Inc	1,000	\$ 46,500
Cato Corp Cl A	3,600	62,662
Cavalier Homes Inc	4,400	56,927
CB Richard Ellis Svcs Inc	39,800	1,330,832
CBL & Assoc Pptys Inc	5,000	121,250
CBS Corp	418,100	13,274,675
CCA Prison Realty Trust	4,700	143,937
CCB Finl Corp	25,500	2,709,375
CDW Computer Ctrs Inc	10,992	549,600
Cell Therapeutics Inc	90,500	243,264
Cellular Communications Intl	800	39,900
Cendant Corp	592,958	12,155,639
Centerpoint Pptys Trust	1,800	59,513
Centex Constr Prods	800	30,800
Centex Corp	1,300	49,075
Centrais Geradoras Di Sul Do	9,760	70,457
Central & South West Corp	285,700	7,678,187
Central Garden & Pet Co	1,600	49,800
Central Hudson Gas & Elec Corp	3,800	173,850
Central Maine Pwr Co	7,100	138,450
Century Aluminum Co	2,600	38,350
Century Communications Corp Cl A	1,800	33,750
Century South Bks Inc	900	34,200
Century Tel Enterprises Inc	70,000	3,211,250
Ceridian Corp	1,600	94,000
Cerner Corp	39,800	1,126,857
CFM Technologies Inc	95,212	1,380,574
Champion Enterprises Inc	43,100	1,266,062
Champion Intl Corp	56,300	2,769,285
Charming Shoppes Inc	22,100	104,975
Charter One Finl Inc	55,992	1,886,258
Chartwell Re Corp	1,800	52,988
Chase Manhattan Corp New	462,400	34,911,200
Chateau Communitys Inc	4,500	129,375
Check Point Software Tech	90,000	2,947,500
Checkpoint Sys Inc	2,600	36,725
Chelsea GCA Realty Inc	3,400	136,000
Chem Finl Corp	2,400	102,451
Chemed Corp	1,900	64,720
ChemFirst Inc	4,400	111,100
Chesapeake Corp	4,200	163,540
Chesapeake Energy Corp	13,200	52,800
Chevron Corp	14,600	1,222,750
Chicago Bridge & Iron Co	118,000	1,829,000
Chicago Title Corp	2,300	106,232
Chiquita Brands Intl Inc	8,100	113,910
Chittenden Corp	2,500	87,500
Chrysler Corp	44,200	2,491,775
CHS Electronics Inc	194,100	3,469,537
Chubb Corp	70,300	5,650,362

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Church & Dwight Inc	3,300	\$ 106,837
CIBER Inc	71,400	2,713,200
CIGNA Corp	559,000	38,571,000
CILCORP Inc	3,000	144,000
Cincinnati Finl Corp	3,700	141,987
Cincinnati Milacron Inc	9,600	233,405
CINergy Corp	3,500	122,500
Cintas Corp	132,400	6,752,400
Circle Intl Group Inc	2,700	75,600
Circuit City Stores Inc	294,600	13,809,375
Circus Circus Enterprise Inc	330,000	5,589,540
Cirrus Logic Inc	14,800	164,650
Cisco Sys Inc	453,400	41,741,365
Citadel Communications Corp	17,700	283,200
Citation Corp Ala	2,400	48,000
Citicorp	189,900	28,342,575
Citizens Bkg Corp Mich	5,400	181,575
Citizens Corp	56,400	1,766,053
Citizens Utils Co Del Ser B	258,900	2,491,912
Citrix Sys Inc	210,600	14,399,775
City Hldg Co	900	41,850
City Natl Corp	64,000	2,372,032
CKE Restaurants Inc	40,000	1,650,000
Claire's Stores Inc	127,400	2,611,700
CLARCOR Inc	4,200	88,200
Clarify Inc	95,100	1,283,850
Clear Channel Communications Inc	73,500	8,020,687
Cleco Corp	39,900	1,187,025
Cleveland Cliffs Inc	2,500	134,062
Cliffs Drilling Co	900	29,532
Clinichem Dev Inc Cl A	1,788	10,278
Clorox Co	2,300	219,937
Closure Med Corp	21,700	539,787
CMAC Invt Corp	39,300	2,416,950
CMG Information Svcs Inc	82,400	5,829,800
CMS Energy Corp	239,000	10,516,000
CNA Surety Corp	2,100	30,975
CNB Banc Shares Inc	1,200	57,600
CNF Transportation Inc	180,000	7,650,000
Coachmen Inds Inc	3,800	99,275
Coastal Corp	139,500	9,738,914
Coca Cola Bottling Co	500	33,062
Coca Cola Co	447,600	38,269,800
Cognizant Corp	3,600	226,800
Coherent Inc	5,100	87,496
Cohu Inc	2,100	51,057
Coleman Inc New	2,500	28,907
Colgate Palmolive Co	245,500	21,604,000
Collins & Aikman Corp	11,100	82,562
Colonial Bancgroup	35,000	1,128,750

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Colonial Gas Co	1,900	\$ 54,387
Colonial Pptys Trust	5,700	176,700
Coltec Inds Inc	215,400	4,281,075
Columbia Energy Group	19,900	1,106,937
Columbia/HCA Healthcare Corp	488,000	14,213,000
Columbus McKinnon Corp N Y	1,500	39,000
Comcast Corp Cl A	8,300	336,930
Comerica Inc	77,150	5,101,544
Commerce Bancorp Inc	2,200	128,700
Commerce Group Inc Mass	5,700	220,875
Commercial Fed Corp	55,150	1,744,119
Commercial Intertec Corp	1,900	34,437
Commercial Metals Co	3,000	92,250
Commercial Net Lease Rlty Inc	6,400	103,603
Commonwealth Bancorp Inc	3,900	89,458
Commonwealth Energy Sys	4,000	151,000
Commonwealth Inds Inc Del	2,900	29,000
Commscope Inc	76,400	1,236,763
Community Bk Sys Inc	1,700	53,232
Community First Bankshares Inc	1,500	39,282
Community Trust Bancorp Inc	2,200	73,150
Compaq Computer Corp	590,400	16,752,600
Compass Intl Svcs Corp	85,200	809,400
Compucom Sys Inc	4,800	31,200
CompUSA Inc	62,200	1,127,375
Computer Assoc Intl Inc	70,900	3,939,417
Computer Horizons	76,950	2,851,998
Computer Learning Ctrs Inc	101,500	2,524,812
Computer Motion Inc	128,600	1,671,800
Computer Sciences Corp	3,500	224,000
Compuware Corp	163,000	8,333,375
CompX Intl Inc Cl A	74,500	1,611,062
Comverse Technology Inc	98,050	5,086,344
ConAgra Inc	339,900	10,770,751
Concentra Managed Care Inc	115,570	3,004,820
Concord Communications Inc	34,500	881,923
Concord EFS Inc	95,650	2,498,856
Cone Mills Corp	5,000	43,125
Conmed Corp	152,700	3,512,100
Connecticut Energy Corp	2,200	61,325
Conseco Inc	105,249	4,933,546
Consolidated Edison Inc	32,900	1,515,473
Consolidated Freightways Corp	4,400	61,327
Consolidated Graphics Inc	5,000	295,000
Consolidated Nat Gas Co	2,100	123,637
Consolidated Stores Corp	2,400	87,000
Consolidation Cap Corp	103,400	2,324,846
Contifinancial Corp	1,300	30,062
Continental Airls Inc Cl B	75,000	4,565,625
Cooper Inds Inc	34,000	1,867,892

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Cooper Tire & Rubber Co	1,800	\$ 37,350
Coors Adolph Co Cl B	23,900	812,600
Copart Inc	88,100	2,037,312
Corn Prods Intl Inc	7,800	264,225
Cornell Corrections Inc	71,000	1,491,000
Cornerstone Realty Income Trust Inc	7,900	90,360
Corning Inc	263,400	9,153,150
Corporate Express Inc	54,900	696,572
Corus Bankshares Inc	1,800	72,450
Cost Plus Inc Calif	111,700	3,323,075
Costco Cos Inc	133,800	8,437,829
Cotelligent Group Inc	28,500	655,500
Coulter Pharmaceutical Inc	32,400	984,150
Countrywide Cr Inds Inc	47,300	2,400,475
Cousins Pptys Inc	1,100	32,862
Covance Inc	374,600	8,428,500
Covenant Trans Inc Cl A	33,100	645,450
Coventry Health Care Inc	91,900	1,367,012
CPI Corp	2,200	52,389
Crane Co	1,000	48,563
Credence Sys Corp	94,900	1,803,100
Credit Accep Corp Mich	4,900	41,650
CRIMI MAE Inc	70,300	975,412
Crompton & Knowles Corp	274,200	6,906,550
Cross Timbers Oil Co	2,100	40,032
Crown American Rlty Trust	5,100	49,409
Crown Cork & Seal Inc	196,500	9,333,750
CryoLife Inc	71,800	1,130,850
CSC Hldgs Inc	10,278	1,181,970
CSG Sys Intl Inc	65,758	3,082,406
CSS Ind Inc	1,500	49,125
CSX Corp	76,900	3,498,950
Cullen Frost Bankers Inc	2,500	135,625
Cummins Engine Inc	56,900	2,916,125
Curative Technologies Inc	42,800	1,219,800
Curtiss Wright Corp	1,100	43,107
Cutter & Buck Inc	55,100	1,487,700
CVB Finl Corp	1,300	31,525
CVS Corp	404,600	15,754,315
Cypress Semiconductor Corp	18,700	155,453
Cyprus Amax Minerals Co	41,900	555,175
Cytec Inds Inc	28,280	1,251,390
D & N Finl Corp	1,900	50,945
D R Horton Inc	122,800	2,563,450
Dain Rausher Corp	1,800	98,550
Daisytek Intl	93,100	2,368,278
Dallas Semi Conductor Corp	146,000	4,530,526
Dal-Tile Intl Inc	3,300	32,383
Dames & Moore Inc	203,500	2,620,062
Dan River Ga Cl A	3,200	54,400

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Dana Corp	2,400	\$ 128,400
DAOU Sys Inc	119,100	2,724,412
Darden Restaurants Inc	472,000	7,493,000
Data General Corp	11,900	177,762
Datascope Corp	2,800	74,376
Dave & Buster's Inc	40,650	1,011,169
Dayton Hudson Corp	289,800	14,055,300
Deere & Co	131,300	6,938,417
Delco Remy Intl Inc Cl A	4,700	60,512
Dell Computer Corp	28,500	2,645,170
Delphi Finl Group Inc Cl A	3,000	168,939
Delta Air Lines Inc Del	22,000	2,843,500
Deltic Timber Corp	2,600	65,164
Deluxe Corporation	85,800	3,067,350
Dendrite Intl Inc	141,700	5,331,462
DENTSPLY Intl Inc New	83,800	2,095,000
Department 56 Inc	2,300	81,650
Detroit Diesel Corp	1,900	40,970
Developers Diversified Rlty Corp	5,200	204,100
Devon Energy Corp	38,900	1,359,088
Dexter Corp	4,200	133,615
Diagnostic Prods Inc	2,200	63,389
Dial Corp	88,400	2,292,920
Diametrics Med Inc	134,700	1,027,087
Diamond Multimedia Systems	104,800	717,251
Diamond Offshore Drilling Inc	54,500	2,197,059
DII Group Inc	2,000	34,126
Dillard's Inc Cl A	2,400	99,451
Dime Bancorp Inc New	50,400	1,508,875
Dime Cmnty Bancorp Inc	2,700	74,925
DiMon Inc	9,800	110,250
Discount Auto Pts Inc	97,100	2,524,600
Disney (Walt) Company	262,786	27,609,085
Documentum Inc	65,500	3,144,000
Dollar Thrifty Automotive Group Inc	5,300	70,225
Dollar Tree Stores Inc	11,100	450,937
Dominion Resources Inc	4,300	175,225
Donaldson Inc	200,000	4,725,000
Donna Karan Intl Inc	2,500	36,720
Donnelley R R & Sons Co	3,200	146,400
Doubleclick Inc	25,200	1,252,138
Dover Corp	182,500	6,250,625
Dow Chem Co	23,100	2,233,493
Dow Jones & Co Inc	2,100	117,075
Downey Finl Corp	4,500	147,096
Dress Barn Inc	4,000	99,500
Dresser Inds Inc	3,900	171,846
DSC Communications Corp	2,700	81,000
DST Sys Inc Del	155,300	8,696,800
DT Inds Inc	54,900	1,331,325

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
DTE Energy	64,800	\$ 2,616,300
Du Pont E I De Nemours & Co	245,400	18,328,435
Duane Reade Inc	2,200	66,000
Duke Energy Corporation	60,000	3,555,000
Dun & Bradstreet Corp	109,300	3,934,800
Dupont Photomarks Inc	900	31,050
Dura Automotive Sys Inc	84,600	2,717,775
DVI Inc	1,900	48,450
Dynex Cap Inc	9,400	104,575
E Town Corp	1,800	67,500
E Trade Group Inc	90,400	2,073,595
Eagle Geophysical Inc	137,900	1,447,950
Eagle Hardware & Garden Inc	4,700	108,687
Eagle USA Airfreight Inc	34,000	1,179,392
Earthgrains Co	4,400	245,850
Earthshell Corp	3,800	37,050
Eastern Enterprises	5,000	214,375
Eastern Environmental Svcs Inc	77,800	2,645,200
Eastern Utils Assoc	4,500	118,125
Eastgroup Pptys Inc	3,600	72,227
Eastman Chem Co	61,700	3,840,825
Eastman Kodak Co	7,200	526,054
Eaton Corp	47,600	3,700,900
Echlin Inc	78,600	3,856,352
Echostar Communications Corp Cl A	1,900	45,720
Ecolab Inc	2,900	89,900
Edison Intl	243,800	7,207,459
EduTrek Intl Inc Cl A	31,600	774,200
EEX Corp	290,200	2,720,625
EG & G Inc	1,000	30,000
El Paso Elec Co	12,200	112,094
Electro Scientific Inds Inc	1,800	56,813
Electroglas Inc	4,000	52,252
Electronic Data Sys Corp New	130,000	5,191,940
Electronic Retailing Sys Intl Inc Wts	2,450	0
EMC Corp Mass	985,000	44,140,805
Emerson Elec Co	9,900	597,712
Emmis Broadcasting Corp Cl A	76,000	3,633,788
Empire Dist Elec Co	3,700	77,237
Energen Corp	5,600	112,700
Energy East Corp	90,000	3,746,250
Enesco Group Inc	3,600	110,700
Engelhard Corp	3,200	64,800
Enhance Finl Svcs Group Inc	5,400	182,250
Enron Corp	127,400	6,887,626
Entergy Corp New	326,500	9,386,875
Entertainment Pptys Trust	3,000	54,750
Envoy Corp New	89,700	4,249,537
Equifax Inc	63,200	2,294,982
Equitable Cos Inc	123,700	9,269,831

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Equitable Res Inc	8,100	\$ 247,050
Equity Corp Intl	2,600	62,400
Equity Inns Inc	7,800	102,866
Equity Office Pptys Trust	6,237,980	177,002,682
ESC Medical Systems	182,100	6,145,875
Essex Intl Inc Del	27,000	637,875
Essex Ppty Trust Inc	3,200	99,200
Esterline Technologies	3,800	79,325
ETEC Sys Inc	31,700	1,115,460
Ethan Allen Interiors Inc	110,100	5,491,237
Ethyl Corp	8,700	53,287
Evans & Sutherland Computer Corp	700	17,632
Everen Capital Corp	1,800	50,400
Everest Reins Hldgs Inc	135,500	5,208,349
EVI Weatherford Inc	60,000	2,220,000
Excel Inds Inc	2,300	32,920
Excel Rlty Trust Inc	5,100	146,946
Executive Risk Inc	2,500	184,375
Exide Corp	3,800	63,889
Exodus Communications Inc	700	31,325
Expeditors Intl Wash Inc	50,000	2,200,000
Extended Stay Amer Inc	7,200	81,000
Exxon Corp	163,900	11,698,362
F & M Bancorp Md	1,300	57,932
F & M Bancorporation Inc	1,300	54,275
F & M National Corp	4,200	121,800
Fabri Centers Amer Inc Cl A	3,700	101,287
Fairchild Corp Cl A	101,400	2,047,063
Family Golf Ctrs Inc	130,000	3,290,690
Farmer Bros Co	200	47,800
Farmers Cap Bk Corp	300	29,250
FBL Finl Group Inc	7,100	181,937
FDX Corp	287,800	18,059,450
Fedders Corp	7,800	52,166
Federal Home Ln Mtg Corp	310,200	14,598,943
Federal Mogul Corp	77,100	5,204,250
Federal Natl Mtg Assn	515,400	31,310,550
Federal Realty Invt Trust	8,700	209,348
Federal Signal Corp	6,800	165,328
Federated Dept Stores Inc	494,000	26,583,621
Felcor Suite Hotels Inc	7,300	229,037
Ferro Corp	4,000	101,252
Fifth Third Bancorp	5,600	352,800
Financial Fed Corp	1,200	32,176
Fingerhut Companies Inc	10,200	336,600
Finlay Enterprises Inc	63,200	1,524,700
Finova Group Inc	41,400	2,344,275
First American Corp Tenn	72,400	3,484,250
First American Finl Corp Calif	400	36,000
First Brands Corp	8,200	210,125

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
First Chicago NBD Corp	34,100	\$ 3,022,112
First Citizens Bancshares Inc NC Cl A	1,600	160,101
First Colo Bancorp Inc	3,700	102,675
First Comm Bancshares Inc Cl B	2,300	67,420
First Commonwealth Finl Corp	4,500	127,125
First Data Corp	765,538	25,502,367
First Finl Bankshares Inc	1,700	69,700
First Finl Corp Ind	1,400	70,525
First Hawaiian Inc	4,700	170,962
First Indiana Corp	2,100	54,862
First Industrial Rlty Trust Inc	8,300	264,048
First Liberty Finl Corp	2,000	49,000
First Merchants Corp	1,500	68,625
First Midwest Bancorp Inc Del	2,700	118,716
First Republic Bank	300	10,837
First Security Corp Del	53,650	1,148,432
First Svgs Bk Wash Bancorp Inc	26,700	674,175
First Union Corp	349,360	20,350,220
First Union Real Estate Equity	6,900	63,825
First United Bancshares Inc	4,600	112,412
FirstBank Ill Co	800	33,600
FirstCity Finl Corp	1,200	34,800
FirstEnergy Corp	51,090	1,571,017
FirstFed Finl Corp Del	26,100	1,357,200
FIRSTPLUS Finl Group Inc	40,000	1,440,000
Fiserv Inc	26,850	1,140,293
Flagstar Bancorp Inc	1,300	31,687
Fleet Finl Group Inc	94,000	7,849,000
Fleetwood Enterprises Inc	16,100	646,012
Fleming Cos Inc	8,400	147,529
Florida East Coast Inds Inc	2,500	73,125
Florida Panthers Hldgs Inc Cl A	6,000	118,128
Florida Rock Inds Inc	3,000	87,564
Flowserve Corp	8,300	204,387
Fluke John Mfg Inc	1,000	32,852
Fluor Corp	15,600	795,600
FMC Corp	800	54,550
FNB Corp	3,200	106,800
Foamex Intl Inc	2,100	36,620
Focal Inc	71,200	712,000
Food Lion Inc Cl A	210,500	2,236,562
Footstar Inc	4,400	211,200
Forcenergy Inc	94,400	1,681,547
Ford Motor Co Del	243,600	14,372,400
Foremost Corp Amer	3,900	94,087
Forest City Enterprises Inc Cl A	600	35,513
Forest Labs Inc	151,800	5,426,850
Forest Oil Corp	6,300	90,172
Fort James Corp	167,500	7,474,687
Fortune Brands Inc	3,900	149,908

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Foster Wheeler Corp	9,800	\$ 210,092
Foundation Health Sys Inc	355,000	9,363,125
FPIC Inc Group Inc	1,100	36,987
FPL Group Inc	129,900	8,183,700
Franchise Fin Corp Amer	10,700	277,537
Franklin Covey Co	5,300	102,025
Franklin Resources Inc	153,100	8,267,400
Freedom Securities Corp	2,300	41,687
Freeport-McMoran Copper & Gold Inc Cl B	48,300	733,580
Fremont General Corp	27,000	1,473,201
Friede Goldman Intl Inc	74,600	2,154,075
Fritz Cos Inc	5,000	66,875
Frontier Corp	3,700	116,550
Frontier Ins Group Inc	287,220	6,480,544
Fruit of the Loom Cl A	167,600	5,562,309
FSI Intl Inc	72,600	703,349
Fuller H B Co	2,900	160,770
Fund American Enterprises Hldg	2,900	429,200
Furniture Brands Intl Inc	175,300	4,919,444
G & K Svcs Inc Cl A	298,900	13,039,512
Gables Residential Trust	4,800	130,200
Galey & Lord Inc	2,400	35,700
Gannett Inc	313,300	22,264,038
Gap Stores Inc	137,500	8,447,725
Gateway 2000 Inc	160,500	8,025,000
Gaylord Container Corp Cl A	145,400	1,117,835
Gaylord Entmt Co New	4,400	141,900
GBC Bancorp Calif	1,400	37,100
GC Cos Inc	1,200	62,250
Gencorp Inc	7,500	189,375
General Cable Corp Del New	50,450	1,456,744
General Chem Group Inc	2,000	55,500
General Communications Inc Cl A	7,900	47,898
General Dynamics Corp	2,800	130,200
General Electric Co	655,200	59,541,300
General Growth Pptys Inc	4,900	183,137
General Instrument Corp Del	250,900	6,821,469
General Mills Inc	25,700	1,754,025
General Motors Corp	229,000	15,300,177
General Nutrition Cos Inc	70,000	2,178,750
General Re Corp	19,200	4,867,200
General Scanning Inc	205,500	1,836,759
General Semiconductor Inc	137,400	1,356,825
General Signal Corp	44,400	1,598,400
Genesis Direct Inc	2,700	30,037
Genesis Health Venture Inc	7,300	182,500
Genesys Telecomm Laboratories	33,100	1,094,385
Gensia Sicor Inc	15,000	60,000
Genuine Parts Co	4,000	138,252
Genzyme Corp	308,900	7,896,411

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Geon Co	35,100	\$ 805,124
Georgia Gulf Corp	188,600	4,302,532
Georgia Pacific Corp	118,200	6,966,471
GeoTel Communications Corp	74,900	3,052,175
Gerber Scientific Inc	4,000	91,000
Getchell Gold Corp	2,200	33,825
Giant Cement Holdings Inc	900	25,762
Giant Food Inc Cl A	1,300	55,682
Gibraltar Steel Corp	1,400	28,700
Gibson Greetings Inc	1,600	40,000
Gilead Sciences Inc	900	28,857
Gillette Co	440,500	25,053,437
Glatfelter P H Co	375,600	5,939,363
Gleason Corp	2,000	56,250
Glenayre Technologies Inc	13,400	144,050
Glenborough Realty Trust Inc	6,900	181,987
Glimcher Realty Trust	5,200	101,078
Global DirectMail Corp	2,500	31,562
Global Intl Technologies Inc	50,000	718,750
Global Industries Ltd	206,000	3,476,250
Global Tech Appliance Inc	78,600	1,129,875
Golden St Bancorp Inc	234,800	6,985,300
Golden St Bancorp Inc Litig Trkg Shs	119,700	635,966
Golden West Finl Corp Del	35,300	3,752,849
Golf Trust of America Inc	1,700	58,437
Goodrich B F Co	34,600	1,717,025
Goodyear Tire & Rubber Co	247,800	15,967,736
GPU Inc	57,000	2,155,341
Grace W R & Co Del New	265,500	4,530,226
Graco Inc	1,800	62,775
Grainger W W Inc	2,200	109,589
Grand Casinos Inc	8,700	147,900
Grand Premier Finl Inc	3,000	48,000
Granite Constr Inc	2,700	82,687
Great Atlantic & Pacific Tea Inc	195,500	6,500,375
Great Lakes Chem Corp	26,200	1,033,275
Great Lakes REIT Inc	3,500	61,033
Greif Bros Corp Cl A	3,100	115,862
Grey Wolf Inc	9,800	30,625
Greyhound Lines Inc	5,400	32,740
Griffon Corp	6,700	85,847
Group Maintenance Amer Corp	1,800	32,400
GT Interactive Software Corp	140,200	1,055,846
GTE Corp	176,500	9,817,812
GTech Holdings Corp	2,400	80,851
Guarantee Life Cos Inc	31,000	678,125
Guidant Corp	15,700	1,119,614
Guilford Mills Inc	58,250	1,165,000
Guilford Pharmaceuticals Inc	3,600	63,450
Guitar Center Inc	10,900	328,362

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Gymboree Corp	122,800	\$ 1,861,157
H T E Inc	73,100	986,850
Haagen Alexander Prop	4,200	63,265
Hadco Corp	2,400	55,951
Haemonetics Corp Mass	114,600	1,833,600
Halliburton Co	5,900	262,184
HA-LO Inds Inc	69,300	2,156,962
Halter Marine Group Inc	134,700	2,028,986
Hambrecht & Quist Group Inc	3,400	123,464
Hamilton Bancorp Inc Fla	65,000	2,342,015
Hancock Fabrics Inc	3,700	46,250
Hancock Hldg Co	2,100	113,400
Handleman Co	7,100	81,650
Hanger Orthopedic Group Inc	187,300	3,816,237
Hanover Compressor Co	1,100	29,769
Harcourt General Inc	159,600	9,496,200
Harding Brothers Inc	2,100	51,187
Harland John H Co	6,400	108,403
Harleysville Group Inc	2,500	51,875
Harleyville Natl Corp Pa	1,100	46,750
Harman Intl Inds Inc New	4,100	157,850
Harnischfeger Inds Inc	76,900	2,177,269
Harrahs Entmt Inc	484,200	11,257,650
Harris Corp Del	1,800	80,438
Harte-Hanks Communications	24,900	642,744
Hartford Finl Svcs Group Inc	2,600	297,375
Hartford Life Inc Cl A	19,200	1,093,210
Hartmarx Corp	5,700	43,109
Harveys Casino Resorts	1,300	35,262
Hasbro Inc	199,000	7,823,287
Haven Bancorp Inc	1,900	48,687
Haverty Furniture Cos Inc	2,000	44,250
Hawaiian Elec Inds Inc	7,000	277,816
HBO & Co	101,600	3,581,400
HCC Ins Hldgs Inc	93,300	2,052,600
Headlands Mtg Co	1,700	31,875
Health Care & Retirement Corp Del	49,000	1,932,462
Health Care Ppty Invs Inc	2,700	97,370
Health Care REIT Inc	4,500	114,750
Health Mgmt Assoc Inc New Cl A	121,000	4,045,998
Healthcare Recoveries Inc	66,500	1,313,375
Healthcare Rlty Trust	4,500	122,625
HEALTHSOUTH Corp	190,200	5,076,058
Heartland Express Inc	1,500	30,375
Hecla Mining Co	12,100	64,287
Heilig Meyers Co	12,900	158,838
Heinz H J Co	8,200	460,225
Helmerich & Payne Inc	12,100	271,500
Hercules Inc	2,100	86,362
Hershey Foods Corp	3,200	220,800

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Hewlett Packard Co	128,300	\$ 7,681,962
Hibernia Corp Cl A	60,300	1,209,799
Highlands Ins Group Inc	2,900	53,650
Hilton Hotels Corp	5,500	157,437
HNC Software Inc	89,600	3,656,845
Hollinger International Inc Cl A	2,400	40,800
Holly Corp	1,200	30,900
Hollywood Entertainment	21,300	288,892
Hollywood Park Inc	4,300	54,287
Hologic Inc	1,900	34,557
Home Depot Inc	425,700	35,359,918
Home Pptys N Y Inc	2,600	69,389
Homebase Inc	8,300	65,885
Homestake Mining Co	319,700	3,316,887
Homestead Village Pptys Inc	3,800	45,125
HON Inds Inc	7,000	238,000
Honeywell Inc	11,500	960,974
Horizon Offshore Inc	166,600	1,634,846
Hormel Foods Corp	80,000	2,765,040
Hospitality Ppty	3,200	102,800
Host Marriott Sves Corp	2,700	39,320
Houghton Mifflin Co	1,000	31,750
Household Intl Corp	7,200	358,200
Houston Expl Co	98,400	2,257,099
Houston Inds Inc	6,600	203,366
HS Resources Inc	3,700	53,883
HSB Group Inc	5,700	304,950
Hub Group Inc Cl A	65,588	1,385,546
Hubco Inc	2,600	93,114
Huffy Corp	74,200	1,344,875
Hughes Supply Inc	4,500	164,812
Humana Inc	44,000	1,372,272
Huntington Bancshares Inc	4,300	144,050
Hussman Intl	2,100	38,982
Hutchinson Technology Inc	3,200	87,200
Hvide Marine Inc Cl A	2,200	29,839
Hypercom Corp	86,400	864,000
Hyperion Telecommunications Inc Cl A	1,000	15,688
Hyseq Inc	76,500	827,194
ICG Communications Inc	76,600	2,800,726
ICN Pharamceutical Inc	60,000	2,741,280
ICU Med Inc	90,000	1,293,750
Idaho Pwr Co	8,200	283,925
IDEX Corp	2,700	93,150
IDX Sys Corp	96,600	4,449,686
IHOP Corp New	1,200	49,650
Ikon Office Solutions Inc	3,000	43,689
Il Fornaio Amer Corp	34,000	378,250
Illinois Tool Wks Inc	105,900	7,062,259
Illinova Corp	154,100	4,623,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Imation Corp	71,500	\$ 1,184,255
IMC Global Inc	478,200	14,405,775
IMC Mtg Co	6,700	70,772
IMCO Recycling Inc	2,900	53,650
Immunex Corp	39,700	2,630,125
IMPAC Mtg Hldgs Inc	5,100	79,371
Impath Inc	47,000	1,142,711
Imperial Bancorp	67,550	2,026,500
Imperial Cr Coml Mtg Invt Corp	62,800	820,356
Imperial Cr Inds Inc	53,100	1,247,850
In Focus Sys Inc	108,500	766,335
InaCom Corp	2,600	82,550
Independence Cmnty Bk Corp	72,700	1,235,900
Independent Bk Corp	2,400	46,500
Indiana Energy Inc	4,700	140,412
Information Res Inc	6,300	116,550
Informix Corp	68,400	540,770
Ingersoll Rand Co	51,400	2,264,838
Inland Steel Inds Inc	31,700	893,560
Innkeepers USA Trust	6,800	85,850
Input/Output Inc	1,700	30,282
Insignia Finl Group Inc Cl A	1,300	31,850
Insituform Technologies Inc	2,900	40,148
Integrated Device Technology Inc	17,800	127,377
Integrated Electrical Svcs Inc	3,300	66,412
Integrated Health Services Inc	109,400	4,102,500
Intel Corp	395,800	29,338,674
Interface Inc Cl A	4,300	86,808
Intergraph Corp	9,300	79,636
Interim Svcs Inc	53,600	1,721,900
Intermet Corp	6,700	121,437
International Business Machs Corp	300,200	34,466,862
International Flavors & Fragrances Inc	2,400	104,251
International Home Foods Inc	32,100	730,275
International Integration Inc	98,900	1,706,025
International Multifoods Corp	3,700	101,750
International Network Svc	68,300	2,800,300
International Paper Co	6,900	296,700
International Rectifier Corp	72,400	615,400
International Specialty Prods Inc	72,000	1,341,000
Interpool Inc	2,900	41,870
Interpublic Group Cos Inc	283,100	17,180,773
Interstate Bakeries Corp	12,400	411,531
Interwest Bancorp Inc	1,500	65,062
Invacare Corp	1,700	43,562
Ionics Inc	133,500	4,922,812
IRI Intl Corp	127,600	1,371,700
Iridex Corp	120,000	960,000
Iron Mountain Inc Del	40,361	1,806,155
IRT Ppty Co	6,800	74,800

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Irvine Apts Cmnty Inc	1,200	\$ 34,726
Irwin Finl Corp	2,400	69,751
I-Stat Corp	31,200	351,000
ITT Educational Svcs Inc	32,800	1,057,800
ITT Inds Inc	2,700	100,912
IVAX Corp	16,200	149,850
Ivex Packaging Corp Del	2,600	60,450
IXC Communications Inc	61,500	2,982,750
J & L Specialty Stl Inc	5,000	29,690
J P Realty Inc	2,900	68,333
Jabil Circuit Inc	40,000	1,322,520
Jacobs Engr Group Inc	1,600	51,400
Jan Bell Marketing Inc	165,000	1,072,500
JDA Software Group Inc	54,200	2,371,250
JDN Realty Corp	6,750	142,875
Jeffbanks Inc	800	39,300
Jefferson Pilot Corp	2,400	139,051
JLG Inds Inc	4,200	85,050
John Alden Finl Corp	4,900	107,800
Johnson & Johnson	528,400	39,101,600
Johnson Controls Inc	8,700	497,535
Jones Intercable Inc Cl A	1,900	47,500
Jostens Inc	800	19,100
Journal Register Co	2,400	40,200
JSB Financial Inc.	1,800	105,413
Juno Ltg Inc	3,800	89,775
Just For Feet Inc	191,250	5,450,625
Justin Inds Inc	3,800	61,275
K Mart Corp	36,200	696,850
K2 Inc	2,500	44,062
Kaiser Aluminum Corp	6,400	61,203
Kaman Corp Cl A	5,100	97,058
Kansas City Life Ins Co	500	45,500
Kaufman & Broad Home Corp	66,100	2,090,412
Kaydon Corp	2,500	88,282
KCS Energy Inc	5,100	58,334
Keane Inc	84,600	4,737,600
Kellogg Co	9,200	346,730
Kellwood Co	49,700	1,776,775
Kelly Oil Gas Corp	27,600	63,839
Kelly Svcs Inc Cl A	3,200	113,200
Kemet Corp	7,800	102,617
Kent Electronics Corp	2,800	51,276
Kerr Mcgee Corp	1,100	63,662
Keycorp New	177,800	6,334,125
Kilroy Realty Corp	6,000	150,000
Kimball Intl Inc Cl B	8,000	145,000
Kimberly Clark Corp	415,900	19,079,412
King World Productions Inc	1,600	40,800
Kitty Hawk Inc	3,700	62,900

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Klamath First Bancorp Inc	38,600	\$ 735,832
Kla-Tencor Corporation	48,000	1,329,024
Knight Ridder Inc	34,100	1,877,648
Knightsbridge Tankers Ltd	32,800	877,400
Knoll Inc	22,200	654,900
Koger Equity Inc	5,800	117,090
Komag Inc	10,800	57,715
Kroger Co	595,800	25,544,925
Kulicke & Soffa Inds Inc	218,700	3,717,900
La Z Boy Chair Co	3,900	220,350
Laboratory Corp Amer Hldgs	13,100	30,300
Laclede Gas Co	3,900	95,550
Lafarge Corp	31,500	1,238,359
Laidlaw Environmental Svcs Inc	1,616,700	5,860,537
Lakeland Inds Inc	18,700	194,012
Lam Research Corp	258,700	4,947,637
Landamerica Finl Group Inc	3,300	188,925
Landry's Seafood Restaurants Inc	141,800	2,565,729
Lands' End Inc	1,300	41,112
Lanstar Sys Inc	2,500	87,345
Lasalle Hotel Pptys	2,900	49,120
Laser Mortgage Mgmt Inc	4,000	43,500
Lattice Semiconductor Corp	1,000	28,406
Lawson Prods Inc	1,400	36,050
Lawter Intl Inc	7,500	81,562
Lear Corp	151,200	7,758,525
Learning Co Inc	346,500	10,265,062
Legato Sys Inc	255,400	9,960,600
Lehman Bros Hldgs Inc	2,700	209,420
Leucadia Natl Corp	125,000	4,132,875
Lexington Corporate Pptys Trust	3,600	52,650
Lexmark Intl Group Inc Cl A	127,900	7,801,900
LHS Group Inc	9,800	645,575
Libbey Inc	1,700	65,132
Liberty Corp SC	2,400	120,751
Life Re Corp	2,600	215,475
Life Technologies Inc	150,000	4,706,250
Life USA Hldg Inc	4,600	59,515
Ligand Pharmaceuticals Inc Cl B	17,400	224,025
Lilly Eli & Co	155,300	10,288,625
Lilly Indl Inc	4,100	88,662
Limited Inc	144,100	4,773,312
Lincoln Elec Hldgs Inc	9,200	203,550
Lincoln Natl Corp Ind	2,200	201,025
Linear Technology Corp	91,300	5,506,577
Linens N Things Inc	81,400	2,487,828
Littelfuse Inc	226,400	5,716,600
Liz Claiborne Inc	1,500	78,375
LNR Ppty Corp	5,700	146,062
Local Finl Corp	3,300	42,900

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Lockheed Martin Corp	205,794	\$ 21,788,439
Loews Corp	82,600	7,196,525
Lomak Pete Inc	131,300	1,370,509
Lone Star Inds Inc	2,200	169,539
Lone Star Steakhouse Saloon	9,000	124,317
Lone Star Technologies Inc	2,000	30,500
Long Island Bancorp	85,800	5,212,350
Longs Drug Stores Inc	7,600	219,450
Longview Fibre Co (Washington)	11,300	161,025
Loral Space & Communications	312,200	8,819,650
Louis Dreyfus Nat Gas Corp	4,300	81,433
Louisiana Pacific Corp	128,500	2,345,125
Lowe's Cos Inc	7,800	316,391
LSI Logic Corp	158,800	3,662,404
LTC Pptys Inc	5,700	106,163
LTV Corp New	21,900	209,430
LTX Corp	92,800	455,277
Lubys Cafeterias Inc	5,100	89,571
Lucent Technologies Inc	157,032	13,063,178
Lufkin Inds Inc	1,400	46,200
Lunar Corp	27,300	501,638
Lydall Inc	3,500	50,971
Lyondell Petrochemical Co	118,700	3,612,991
M A Hanna Co	121,446	2,224,040
M D C Holdings Inc Del	3,900	77,025
M M I Cos Inc	3,300	76,313
M S Carriers Inc	2,000	54,250
Macromedia Inc	89,800	1,678,182
Madison Gas & Elec Co	3,500	80,063
MAF Bancorp Inc	3,300	120,038
Mainstreet Bankgroup Inc	1,200	35,400
Mallinckrodt Inc New	64,600	1,917,845
Manitowoc Inc	1,400	56,438
Manor Care Inc	82,700	3,178,823
Manufactured Home Cmnty's Inc	102,500	2,472,813
Mapics Inc	79,000	1,555,352
Marcus Corp	4,800	85,800
Marine Drilling Cos Inc	107,000	1,712,000
Marine Trans Corp	8,500	34,536
Mariner Health Group Inc	5,200	86,450
Mark IV Inds Inc	233,000	5,038,626
Markel Corp	800	142,400
Marketspan Corp	109,208	3,269,469
Marks Bros Jewelers Inc	119,600	2,332,200
Marquette Med Sys Inc	1,500	38,484
Marriott Intl Inc New Cl A	484,700	15,692,163
Marsh & McLennan Cos Inc	128,700	7,778,371
Marshall Inds	3,600	98,100
Martin Marietta Materials Inc	31,880	1,434,600
Maryland Fed Bancorp Inc	900	35,663

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Masco Corp	391,300	\$ 23,673,650
Mascotech Inc	3,600	86,400
Mattel Inc	355,750	15,052,850
Maverick Tube Corp	3,958	46,012
Maxim Integrated Prods Inc	100,000	3,168,800
Maximus Inc	63,100	1,814,125
MAXXAM Inc	800	45,400
Maxxim Medical Inc	75,951	2,202,579
May Dept Stores Co	5,200	340,600
Maytag Corp	2,100	103,688
MBIA	2,200	164,725
MBNA Corp	355,200	11,743,978
McClatchy Newspapers Inc Cl A	5,000	173,125
McDermott Intl Inc	1,400	48,213
McDonalds Corp	88,400	6,099,600
McGrath Rentcorp	1,400	29,575
McGraw Hill Companies Inc	2,200	179,300
MCI Communications Corp	16,200	941,625
McLeodUSA Inc	40,400	1,570,550
MCN Corp	75,000	1,875,000
MDU Resources Group Inc	7,500	267,660
Mead Corp	2,300	73,025
Medallion Finl Corp	65,000	1,787,500
Medaphis Corp	11,500	69,000
Media General Inc Cl A	700	34,475
MediaOne Group Inc	13,600	597,557
Medical Assurance Inc	4,700	130,425
Medtronic Inc	174,000	11,092,500
Medusa Corp New	800	50,200
Mellon Bk Corp	5,800	404,190
MEMC Electr Matls Inc	4,300	44,613
Mens Warehouse Inc	16,800	554,400
Mentor Graphics Corp	13,400	141,544
Mercantile Bancorporation Inc	3,000	151,125
Mercantile Bankshares Corp	150,000	5,221,950
Mercantile Stores Inc	800	63,150
Merck & Co Inc	222,600	29,772,750
Mercury Computer Sys Inc	69,000	1,000,500
Mercury Interactive Corp	29,500	1,316,438
Meredith Corp	1,200	56,326
Meridian Indl Trust Inc	3,900	89,700
Meridian Resource Corp	7,200	50,854
Merisel Inc	17,600	50,600
Merrill Corp	1,400	30,888
Merrill Lynch & Co Inc	142,700	13,164,075
Merry Land & Invt Inc	9,200	193,780
Mesa Air Group Inc	5,500	44,688
Mesaba Hldgs Inc	35,000	805,000
META Group Inc	64,200	1,420,425
Metals USA Inc	3,200	55,200

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Methode Electronics Inc	7,800	\$ 120,900
Metro Networks Inc	51,600	2,225,250
Metrocall Inc	6,000	36,378
Metromedia Intl Group Inc	8,400	100,279
Meyer Fred Inc Del New	55,700	2,367,250
Meyers Inds Inc	3,700	88,800
MGC Communications Inc Wts	250	15,000
MGI Pptys	3,000	78,564
MGIC Invt Corp	135,200	7,714,918
Michael Foods Inc New	1,800	52,875
Michaels Stores Inc	2,800	98,787
Micro Warehouse Inc	69,600	1,078,800
MicroAge Inc	3,900	55,333
Micron Electronics Inc	2,600	31,364
Micron Technology Inc	4,800	119,102
Microsoft Corp	479,296	51,943,705
Microstrategy Inc Cl A	2,600	73,450
Mid America Bancorp	1,700	55,038
Mid Atlantic Medical Svcs Inc	6,800	78,200
Mid-Amer Apt Cmnty Inc	4,100	107,883
Midas Inc	1,600	32,200
Midwest Express Hldgs Inc	1,600	57,901
Millennium Chemicals Inc	15,000	508,125
Miller Herman Inc	108,000	2,625,804
Miller Inds Inc Tenn	105,400	816,850
Millicom Escrow	63,100	0
Millicom Inc Wts	18,275	0
Millipore Corp	1,000	27,250
Mine Safety Appliances Co	800	60,000
Minerals Technologies Inc	208,056	10,584,849
Minnesota Mng & Mfg Co	9,100	747,911
Minnesota Pwr & Lt Co	7,400	294,150
Mirage Resorts Inc	22,700	483,805
Mississippi Chem Corp	6,000	98,628
Mitchell Energy & Dev Corp Cl A	1,600	32,000
Mobil Corp	225,600	17,286,601
ModaCAD Inc	31,000	534,750
Modine Mfg Co	3,700	128,113
Mohawk Inds Inc	49,500	1,568,556
Mondavi Robert Corp Cl A	1,700	48,238
Monsanto Co	13,400	748,725
Moog Inc Cl A	1,400	53,463
Moore Corp Ltd	272,000	3,604,000
Morgan J P & Co Inc	4,000	468,252
Morgan Stanley Dean Witter Discover & Co	126,500	11,558,938
Morrison Knudsen Corp	6,700	94,222
Moiton Intl Inc Ind New	2,900	72,500
MotivePower Inds Inc	1,300	31,850
Motorola Inc	13,400	704,344

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Movado Group Inc	1,300	\$ 39,325
MRV Communications Inc	199,100	4,131,325
Mueller Inds Inc	7,700	285,863
Mylan Labs Inc	65,900	1,993,475
Nabisco Hldgs Corp Cl A	182,600	6,585,104
Nac Re Corp	3,300	176,138
NACCO Industries Inc Cl A	700	90,475
Nalco Chem Co	1,500	52,688
National Bancorp Alaska Inc	2,900	89,538
National City Bancorporation	1,200	39,900
National City Bancshares Inc	800	32,200
National City Corp	7,300	518,300
National Data Corp	76,700	3,355,625
National Golf Pptys Inc	2,700	81,170
National Health Invs Inc	5,100	168,938
National Penn Bancshares Inc	900	30,600
National Presto Inds Inc	1,500	58,407
National Processing Inc	2,900	30,995
National Semiconductor Corp	84,700	1,111,688
National Steel Corp Cl B	4,600	54,625
National Svc Inds Inc	22,100	1,124,338
National Techteam Inc	146,600	1,466,000
National Westn Life Ins Co Cl A	400	48,400
Nationsbank Corp	320,361	24,567,844
Nationwide Health Pptys Inc	59,200	1,413,400
Navistar Intl Corp	1,500	43,313
NBT Bancorp Inc	2,400	60,900
NCH Corp	600	38,438
NCI Bldg Sys Inc	600	34,650
NCR Corp New	140,000	4,550,000
NCS Healthcare Inc	1,100	31,350
Neoprobe Corp	133,000	365,750
Neose Technologies Inc	117,300	1,876,800
Network Appliance Inc	151,900	5,914,682
Network Equip Technologies	4,400	69,027
Networks Assocs Inc	175,000	8,378,155
Neurogen Corp	2,500	44,375
Nevada Pwr Co	11,100	285,825
New England Business Svc Inc	1,200	38,700
New Jersey Resources Corp	3,900	139,183
New Plan Rlty Trust	13,000	318,500
New York Times Co Cl A	97,200	7,703,100
Newell Co	198,400	9,882,900
Newfield Expl Co	35,500	883,063
Newmont Mng Corp	3,500	82,688
Newpark Res Inc	523,200	5,820,600
Newport News Shipbuilding	62,000	1,658,500
Nextel Communications Inc Cl A	214,300	5,330,714
Nextlink Communications Inc Cl A	67,000	2,537,625
Niagara Mohawk Pwr Corp	203,200	3,035,402

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
		\$
Nichols Resh Corp	2,400	65,551
Nicor Inc	1,100	44,138
Nike Inc Cl B	6,400	311,603
Nine West Group Inc	98,900	2,651,806
NL Industries New	3,500	70,000
Noble Affiliates Inc	160,000	6,080,000
Nordson Corp	82,300	3,868,100
Nordstrom Inc	1,700	65,663
Norfolk Southern Corp	112,600	3,356,944
Norrel Corp Ga	1,700	33,895
Nortek Inc	2,100	64,575
North American Vaccine Inc	62,600	970,300
North Carolina Nat Gas Corp	2,200	55,825
North Face Inc	178,200	4,276,800
Northern Sts Pwr Co Minn	3,400	97,325
Northern Trust Corp	2,500	190,625
Northrop Grumman Corp	31,700	3,269,063
Northwest Airs Corp Cl A	115,000	4,434,745
Northwest Nat Gas	5,400	151,033
Northwestern Corp	3,900	97,500
Norwest Corp	356,800	13,380,000
Novacare Inc.	12,700	149,225
Novell Inc	7,900	100,725
Noven Pharmaceuticals Inc	100,000	593,800
Novoste Corp	33,800	745,729
NS Group Inc	3,300	33,413
NTL Inc	1,600	85,600
Nucor Corp	2,000	92,000
Nuevo Energy Co	4,400	141,350
NUI Corp	2,800	71,226
NVR Inc	1,900	78,020
Nymagic Inc	1,200	32,850
Oak Inds Inc	90,200	3,190,825
Oak Technology Inc	8,300	37,873
Oakley Inc	2,500	33,438
Oakwood Homes Corp	76,600	2,298,000
Occidental Pete Corp	264,800	7,149,600
Ocean Energy Inc	194,723	3,809,376
Ocean Finl Corp	2,900	55,463
Oceaneering Intl Inc	2,300	40,825
Octel Corp	49,300	986,000
Ocular Sciences Inc	144,500	4,696,250
Ocwen Asset Invt Corp	3,900	64,596
OEA Inc	3,000	48,000
Office Depot Inc	62,000	1,956,906
Officemax Inc	439,500	7,251,750
Offshore Logistics Inc	4,800	85,200
OGE Energy Corp	80,000	2,160,000
Old Natl Bancorp Ind	2,500	119,375
Olsten Corp	14,800	165,582

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
OM Group Inc	58,400	\$ 2,409,000
Omega Finl Corp	1,800	65,025
Omega Healthcare Invs Inc	4,300	151,038
Omega Protein Corp	2,100	32,288
Omnicare Inc	61,200	2,325,600
Omnicom Group	3,800	189,525
Omnipoint Corp	14,700	337,189
Omniquip Intl Inc	102,400	1,894,400
One Valley Bancorp WVa Inc	5,700	207,338
Oneida Ltd	1,100	33,619
ONEOK Inc New	7,600	303,051
Oracle Corp	415,750	10,212,067
Orange & Rockland Utils Inc	3,000	161,064
Orbital Imaging Corp Wts	1,300	13,000
Orcad Inc	100,000	975,000
Oregon Steel Mills Inc	4,800	89,400
Ortel Corp	23,000	356,500
Orthodontic Ctrs Amer Inc	76,300	1,597,569
Oryx Energy Co	387,300	8,569,013
O'Sullivan Inds Hldgs Inc	42,800	599,200
Otter Tail Pwr Co	2,600	96,364
Outdoor Sys Inc	301,304	8,436,526
Overseas Shipholding Group Inc	335,000	6,825,625
Owens & Minor Inc	3,200	32,000
Owens Corning	23,600	963,187
Owens Illinois Inc	182,400	8,162,400
Oxford Inds Inc	1,500	52,407
P G & E Corp	170,900	5,394,117
P P & L Res Inc	3,700	83,946
PACCAR Inc	1,700	88,825
Pacific Gulf Pptys Inc	3,800	82,175
Pacificorp	6,700	151,588
Pall Corp	2,800	57,400
Pan Pacific Retail Pptys Inc	2,200	42,625
PanAmerican Beverages	192,000	6,036,001
Paragon Health Networks	2,200	35,475
Parametric Technology Corp	56,100	1,521,713
Park Electrochemical Corp	2,200	46,475
Parker Drilling Co	13,600	96,057
Parker Hannifin Corp	35,100	1,338,188
Parkway Pptys Inc	2,400	70,800
Pathogenesis Corp	92,900	2,694,100
Patterson Energy Inc	3,100	30,321
Paxar Corp	2,800	32,200
Paxson Communications Corp	3,900	47,046
Paymentech Inc	3,100	63,745
PEC Israel Economic Group	1,400	33,425
PECO Energy Co	322,100	9,401,455
Pegasus Sys Inc	46,300	1,186,438
Penford Corp	1,400	42,350

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Penn Treaty American Corp	1,300	\$ 40,950
Penn Va Corp	1,400	36,225
Penncorp Finl Group Inc	5,300	108,650
Penney J C Inc	5,600	404,953
Pennsylvania Enterprises Inc	2,100	56,570
Pennsylvania Mfrs Corp Cl A	2,600	59,800
Pennzoil Co	38,300	1,946,138
Penske Motorsports Inc	200	5,838
Pentair Inc	57,400	2,439,500
People First Corp	2,200	77,000
Peoples Choice TV Corp Wts	580	0
Peoples Energy Corp	8,500	328,313
Peoples Hldg Co	1,200	43,500
Peoplesoft Inc	169,000	7,943,000
Pep Boys Manny Moe & Jack	1,400	26,513
Pepsico Inc	474,100	19,527,230
Perclose Inc	56,100	1,584,825
Peregrine Sys Inc	1,100	31,350
Performance Food Group Co	80,997	1,609,815
Perkin Elmer Corp	1,100	68,407
Perrigo Co	14,900	149,939
Personnel Group Amer Inc	1,900	38,000
Petco Animal Supplies Inc	339,112	6,761,216
Petsmart Inc	150,100	1,501,000
PFF Bancorp Inc	89,300	1,663,213
Pfizer Inc	250,400	27,215,475
Pharmacia & Upjohn Inc	165,300	7,624,463
Pharmerica Inc	160,063	1,930,840
Phelps Dodge Corp	60,800	3,477,030
Philadelphia Suburban Corp	5,200	113,750
Philip Morris Cos Inc	1,118,600	44,044,876
Philip Svcs Corp	288,100	1,188,413
Phillips Pete Co	185,400	8,934,055
Phillips Van Heusen Corp	124,700	1,839,325
Phoenix Invt Partners Ltd	9,600	83,405
Phycor Inc	6,800	112,628
Phymatrix Corp	3,500	30,846
Physician Reliance Network Inc	2,800	32,026
PictureTel Corp	8,400	77,700
Piedmont Nat Gas Inc	6,700	225,288
Pilgrim's Pride Corp	1,600	32,000
Pillow Tex Corp	800	32,100
Pinkertons Inc New	1,600	33,200
Pinnacle Banc Corp Inc	900	29,925
Pinnacle Sys Inc	80,000	2,590,000
Pinnacle West Cap Corp	94,500	4,252,500
Pioneer Hi Bred Intl Inc	5,500	227,563
Pioneer Std Electronics Inc	15,800	152,075
Pitney Bowes Inc	6,100	293,563
Pittston Svcs Group	4,400	68,477

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Plains Resources Inc	1,700	\$ 30,388
Planet Hollywood Intl Inc Cl A	4,300	30,638
Platinum Software Corp	1,400	34,125
Playtex Prods Inc	7,100	113,160
PLC Sys Inc	90,000	967,500
PLD Telekom Inc	4,500	32,346
PNC Bank Corp	118,400	6,378,801
Pogo Producing Co	3,300	82,913
Polaris Inds Inc	2,400	90,000
Polaroid Corp	1,000	35,563
Policy Mgmt Sys Corp	210,000	8,242,500
Polymedica Inds Inc	34,200	307,800
Polymer Group Inc	5,300	60,288
Pool Energy Svcs Co	4,600	67,850
Potlatch Corp	7,000	294,000
Powertel Inc	3,300	61,050
PPG Inds Inc	117,900	8,201,478
Praxair Inc	258,300	12,091,799
Precision Castparts Corp	4,400	234,850
Precision Drilling	81,300	1,595,513
Premisys Communications Inc	62,400	1,552,200
Prentiss Pptys Trust	8,700	211,523
Presidential Life Corp	4,900	104,738
PRI Automation Inc	101,800	1,737,013
Price Enterprises Inc	2,800	51,450
Pride Intl Inc	11,000	186,318
Primark Corp	5,900	184,009
Prime Hospitality Corp	7,200	125,554
Prime Retail Inc	6,000	71,628
Primex Technologies Inc	1,000	51,250
Procter & Gamble Co	451,800	41,142,264
Progressive Corp Ohio	1,600	225,600
Promus Hotel Corp New	14,100	546,375
Protein Design Labs Inc	45,700	1,101,096
Provident Bankshares Corp	5,100	150,450
Providian Finl Corp	2,100	164,982
PS Business Parks Inc Calif	4,100	96,350
PSS World Med Inc	2,600	38,025
Public Svc Co N C Inc	4,400	95,700
Public Svc Co N Mex	9,200	208,730
Public Svc Enterprise Group Inc	216,000	7,438,609
Pulte Corp	6,300	188,213
PXRE Corp	2,600	78,000
QAD Inc	68,700	618,300
Quadramed Corp	142,100	3,881,177
Quaker Chem Corp	69,600	1,318,085
Quaker Oats Co	3,100	170,308
Quaker State Corp	8,000	131,000
Quanex Corp	2,900	87,908
Queens County Bancorp Inc	1,400	61,075

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Quest Diagnostics Inc	201,600	\$ 4,410,000
R & B Falcon Corp	23,600	533,950
Ralcorp Hldgs Inc New	7,200	135,900
Ralston - Ralston Purina Group	85,200	9,952,467
Raychem Corp Calif	271,000	8,011,574
Rayonier Inc	22,200	1,021,200
Raytheon Co Cl A	70,001	4,033,803
Raytheon Co Cl B	151,500	8,957,438
Read-Rite Corp	67,100	608,127
Realty Income Corp	6,100	160,888
Reckson Assocs Rlty Corp	8,800	207,900
Recoton Corp	1,100	36,850
Red Roof Inns Inc	6,100	103,322
Redwood Trust Inc	2,800	49,176
Reebok Intl Ltd	129,500	3,585,596
Regal Beloit Corp	2,900	82,650
Regency Realty Corp	2,900	72,863
Regeneron Pharmaceuticals Inc.	4,900	45,173
Region Finl Corp	27,900	1,145,658
Reinsurance Group Amer	132,300	7,822,238
Reliance Bancorp Inc	2,100	80,457
Reliance Stl & Alum Co	2,300	88,838
Reliastar Financial Corp	30,000	1,440,000
Remec Inc	4,100	46,638
Renaissance Worldwide Inc	33,400	726,450
Rental Svc Corp	43,317	1,456,535
Republic Bancorps Inc	2,000	37,750
Republic Bkg Corp Fla	2,000	32,000
Republic Industries Inc	501,400	12,566,588
Republic N Y Corp	90,900	5,721,065
Resmed Inc	28,500	1,298,546
Resources Banchares Mtg Group	92,811	1,728,596
Respironics Inc	107,700	1,676,136
Restoration Hardward Inc	62,400	1,567,801
Reuters Group	43,333	2,968,311
Rexall Sundown Inc	100,000	3,525,000
Reynolds & Reynolds Co Cl A	133,300	2,424,460
Reynolds Metals Co	126,700	7,079,363
RFS Hotel Invs Inc	4,900	93,100
Richmond County Finl Corp	74,200	1,386,650
Riggs Natl Wash DC	4,200	122,720
Rio Hotel & Casino Inc	3,800	71,725
Risk Cap Hldgs Inc	2,800	69,826
RIT Technologies Ltd	78,200	889,525
Rite Aid Corp	105,800	3,974,165
RJR Nabisco Hldgs Corp	575,600	13,670,500
RLI Corp	1,700	69,170
RMI Titanium Co	3,200	72,800
Roadway Express Inc	3,600	67,950
Roanoke Elec Stl Corp	2,500	46,875

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Robbins & Myers Inc	1,700	\$ 49,407
Robert Half Intl Inc	75,300	4,207,388
Roberts Pharmaceutical Corp	162,000	3,726,000
Rochester Gas & Elec Corp	8,500	271,473
Rock Finl Corp Mich	115,000	1,178,750
Rock-Tenn Co Cl A	2,600	32,664
Rockwell Intl Corp	4,400	211,200
Rohm & Haas Co	11,700	1,215,338
Rollins Truck Leasing Corp	10,800	137,700
Romac Intl Inc	262,700	7,979,513
Roslyn Bancorp Inc	9,200	205,280
Ross Stores Inc	60,700	2,610,100
Rouse Co	97,000	3,049,486
Rowan Cos Inc	1,900	36,932
RPM Inc Ohio	100,000	1,700,000
Rubbermaid Inc	3,400	112,200
Ruby Tuesday Inc	33,000	511,500
Ruddick Corp	6,000	108,750
Russ Berrie & Co Inc	2,400	60,000
Russell Corp	7,500	226,410
Ryans Family Steak Houses Inc	9,900	101,475
Ryder Sys Inc	213,800	6,748,169
Ryland Group Inc	3,300	86,625
S3 Inc	10,000	50,630
Safeco Corp	3,200	145,200
Safeguard Scientific	25,000	1,042,200
Safeskin Corp	287,300	11,815,213
Safeway Inc	214,900	8,743,851
Samsonite Corp	2,900	31,358
Sanmina Corp	80,000	3,470,000
Santa Fe Energy Res Inc	297,100	3,193,825
Santa Fe Intl Corp	100,000	3,025,000
Sara Lee Corp	142,000	7,943,196
Sbarro Inc	2,900	78,663
SBC Communications Inc	41,200	1,648,000
SBS Technologies Inc	68,500	2,063,563
Schein Pharmaceutical Inc	1,100	29,288
Scherer R P Corp Del	34,200	3,030,975
Schering Plough Corp	503,900	46,169,838
Schlumberger Ltd	310,200	21,190,693
Scholastic Corp	2,800	111,650
Schulman A Inc	7,800	152,591
Schwab Charles Corp New	198,400	6,472,800
Schweitzer-Mauduit Intl Inc	1,100	31,900
Scientific Atlanta Inc	1,800	45,675
Scientific Games Hldg Corp	1,800	41,400
Scios-Nova Inc	3,600	31,950
Scotsman Inds Inc	500	13,875
Scotts Co Cl A	3,200	119,200
SCPIE Hldgs Inc	43,600	1,476,950

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Seaboard Corp Del	100	\$ 29,100
Seacor Smit Inc	2,900	177,445
Seagate Technology	102,300	2,442,413
Seagull Energy Corp	225,000	3,726,675
Sealed Air Corp New	1,900	69,825
Sears Roebuck & Co	140,300	8,567,139
Security Cap Atlantic Inc	5,100	113,796
Security Cap Group Inc Cl B	3,800	101,175
Security Dynamics Technologies	100,000	1,850,000
Seitel Inc	4,900	79,321
Selective Ins Group Inc	73,100	1,637,879
SEMCO Energy Inc	1,800	31,613
Sensormatic Electronics Corp	343,700	4,811,800
Sepracor Inc	146,700	6,088,050
Sequa Corp	1,300	86,775
Sequent Computer Sys Inc	7,500	90,473
Service Corp Intl	351,700	15,079,138
Service Inc Fla	3,900	58,500
Shared Medical Sys Corp	120,600	8,856,623
Shaw Group Inc	40,800	1,060,800
Sheldahl Co	13,500	118,976
Sherwin Williams Co	3,900	129,188
Shiloh Inds Inc	1,500	30,375
Shiva Corp	121,700	1,019,238
Shopko Stores Inc	5,700	193,800
Shorewood Packaging Corp	4,800	76,200
Shurgard Storage Ctrs Inc Cl A	6,200	172,050
Siebel Sys Inc	245,800	7,927,050
Sierra Health Svcs Inc.	5,200	130,978
Sierra Pacific Resources	6,800	246,928
SIGCORP Inc	5,200	166,728
Sigma Aldrich Corp	2,200	77,275
Sigma Designs Inc	153,700	461,100
Signal Corp	400	11,650
Signature Resorts Inc	62,900	1,037,850
Silgan Hldgs Inc	2,600	72,800
Silicon Graphics Inc	4,200	50,925
Silicon Vy Bankshares	53,300	1,897,160
Silicon Vy Group Inc	43,200	693,922
Siliconix Inc	800	19,600
Simmons 1st Natl Corp Cl A	1,300	61,750
Simpson Inds Inc	3,600	49,277
Simpson Mtg Inc	59,800	2,309,775
Simula Inc	69,600	1,131,000
Sirrom Cap Corp	56,004	1,456,104
SIS Bancorp Inc	1,500	58,125
Skyline Corp	1,800	58,725
Skywest Inc	2,600	72,800
SL Green Rlty Corp	2,700	60,750
SLM Hldg Corp	97,000	4,753,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Smart & Final Inc	2,100	\$ 35,963
Smart Modular Technologies Inc	33,934	496,285
SmarTalk Teleservices Inc	46,100	671,354
SmarTone Telecommunications Hldgs	536,000	1,307,385
Smed Intl Inc	30,800	554,400
Smith A O Corp	2,100	108,545
Smucker J M Co	5,700	141,434
Smucker J M Co Cl B	51,600	1,257,750
Snap On Inc	1,300	47,125
Snyder Communications Inc	109,100	4,800,400
Snyder Oil Corp	6,500	129,597
Sodexo Marriott Svcs Inc	10,400	301,600
Sola Intl Inc	1,100	35,957
Solutia Inc	230,800	6,621,190
Sonat Inc	2,500	96,563
Sotheby's Hldgs Inc Cl A	46,900	1,049,388
South Jersey Inds Inc	1,700	46,963
Southdown Inc	27,304	1,948,823
Southern Co	96,600	2,674,661
Southern Pacific Fdg Corp	77,500	1,215,820
Southern Peru Copper Corp	5,500	71,500
Southern Union Co	2,500	80,625
Southland Corp	18,800	51,700
Southtrust Corp	11,000	478,500
Southwest Airs Co	5,000	147,815
Southwest Gas Corp	6,000	146,628
Southwest Secs Group	2,100	47,250
Southwestern Energy Co	5,400	49,615
Sovereign Bancorp Inc	272,980	4,461,585
Sovran Self Storage Inc	2,700	76,275
Space Labs Med Inc	80,800	1,353,400
Spartech Corp	1,500	32,157
Special Devices Inc	18,600	657,975
Special Metals Corp	2,200	30,800
Specialty Equip Cos Inc	30,900	699,113
Speedfam Intl Inc	1,700	31,345
Speedway Motorsports	170,000	4,345,710
Spiegel Inc Cl A	1,400	10,063
Splash Technology Hldgs Inc	11,000	189,068
Sports Authority Inc	6,900	103,072
Springs Inds Inc	3,000	138,375
Sprint Corp	9,600	676,800
SPSS Inc	81,600	1,897,200
SPX Corp	2,800	180,250
St John Knits Inc	92,700	3,580,538
St Jude Medical Inc	1,900	69,945
St Mary Land & Expl Co	2,400	57,900
St Paul Bancorp Inc	61,500	1,389,531
St Paul Cos Inc	39,052	1,642,645
Staffmark Inc	18,100	662,913

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Standard Motor Prods Inc Cl A	2,200	\$ 48,950
Standard Pacific Corp	2,600	53,625
Standard Prods Co	3,700	104,063
Standard Register Co	2,800	99,050
Standex Intl Corp	1,100	32,588
Stanley Works	2,000	83,126
Starbucks Corp	138,100	7,379,788
Starrett L S Co Cl A	1,500	59,250
State Auto Finl Corp	1,400	44,625
State Street Corp	119,600	8,312,200
Staten Island Bancorp Inc	92,100	2,095,275
Station Casinos Inc	166,900	2,451,427
Steel Dynamics Inc	2,100	29,138
Stein Mart Inc	177,300	2,393,550
Steris Corp	45,000	2,861,730
Sterling Bancorp	1,500	39,000
Sterling Comm Inc	43,200	2,095,200
Sterling Software Inc	340,000	10,051,420
Stewart & Stevenson Svcs Inc	6,900	124,200
Stewart Information Svcs Corp	1,400	67,988
STMicroelectronics	58,548	4,091,042
Stone & Webster Inc	1,500	59,438
Stone Container Corp	260,500	4,070,313
Storage Trust Rlty	3,400	79,475
Storage USA Inc	6,100	213,500
Stratus Computer Inc	6,100	154,409
Stride Rite Corp	2,100	31,632
Student Loan Corp	800	37,650
Sugen Inc	33,300	541,125
Suiza Foods Corp	43,800	2,614,334
Sumitomo Bk Calif	900	33,975
Summit Bancorp	4,000	190,000
Summit Ppty Inc	4,500	85,221
Sun America Inc	242,900	13,951,690
Sun Co	70,300	2,728,553
Sun Communities Inc	3,700	122,563
Sun Healthcare Group Inc	158,400	2,316,600
Sun Microsystems	277,900	12,071,420
Sunbeam Corp	129,700	1,353,809
Sundstrand Corp	160,700	9,200,075
Sungard Data Sys Inc	56,200	2,156,675
Sunglass Hut Intl	222,500	2,461,518
Sunrise Assisted Living Inc	70,000	2,406,250
Sunrise Medical Inc	4,400	66,000
Sunstone Hotel Invs Inc	8,200	109,167
Suntrust Banks Inc	4,700	382,171
Superior Consultant Inc	41,000	1,768,125
Superior Inds Intl Inc	62,300	1,756,112
Superior Svcs Inc	1,000	30,063
Superior Telecom Inc	800	33,300

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Supervalu Inc	26,200	\$ 1,162,626
Susquehanna Bancshares Inc	4,500	168,188
Swift Energy Co	76,876	1,225,250
Swift Transportation Co Inc	1,600	31,701
Sybase Inc	17,700	123,351
Sylvan Learning Sys Inc	1,000	32,750
Symantec Corp	293,600	7,670,300
Synopsys Inc	120,000	5,490,000
Synovus Finl Corp	5,800	137,750
Sysco Corp	263,000	6,739,375
Systems & Computer Technology Corp	180,000	4,860,000
Systemsoft Corp	119,265	178,898
Talbots Inc	2,600	68,089
Tandy Corp	190,300	10,097,889
Tanger Factory Outlet Ctrs	1,200	38,026
Taubman Ctrs Inc	8,100	115,425
Tava Technologies Inc	174,800	1,726,150
TCI Satellite Entmt Inc Cl A	5,800	34,075
Technisource Inc	37,800	415,800
Tecumseh Prods Co Cl A	84,200	4,446,855
Tektronix Inc	21,800	771,176
Tele Communications Inc Liberty Media A	533,000	20,687,329
Tele Communications Inc TCI Group A	280,400	10,778,015
Telephone & Data Sys Inc	176,200	6,937,875
Tellabs Inc	215,400	15,428,026
Telxon Corp	1,000	32,375
Temple Inland Inc	1,300	70,038
Tenet Healthcare Corp	172,900	5,403,125
Tennant Co	700	30,975
Tenneco Inc New	3,800	144,639
Teradyne Inc	96,000	2,568,000
Terex Corp New	87,700	2,499,450
Terra Industries	7,100	63,900
Tesoro Pete Corp	102,800	1,651,276
Texaco Inc	24,200	1,444,450
Texas Inds Inc	2,100	111,300
Texas Instrs Inc	174,900	10,198,944
Texas Regl Bancshares Inc Cl A	1,000	32,750
Texas Utils Co	221,000	9,199,126
Textron Inc	3,700	265,246
Theragenics Corp	49,800	1,297,937
Thermedics Inc	2,500	30,938
Thermo Cardiosystems Inc	97,800	2,224,950
Thermo Electron Corp	3,600	123,077
Thermo Optek Corp	159,000	2,355,267
Thermo Trex Corp	2,000	34,250
Thermo Vision Corp	14,966	104,762
Thermoquest Corp	2,000	29,876
Think New Ideas Inc	29,000	757,625
Thomas & Betts Corp	1,200	59,100

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Thomas Inds Inc	3,300	\$ 80,645
Thornburg Mtg Asset Corp	4,600	54,625
3 Com Corp	252,200	7,739,514
TIG Hldgs Inc	9,500	218,500
Timberland Co Cl A	21,700	1,561,055
Time Warner Inc	270,200	23,085,348
Times Mirror Co New Ser A	27,900	1,754,213
Timken Co	47,300	1,466,300
Titan Expl Inc	77,800	690,475
Titan International Inc	3,800	64,600
Titanium Metals Corp	4,800	105,902
TJ Intl Inc	3,000	90,375
TJX Cos Inc	454,800	10,972,050
TMP Worldwide Inc	16,300	568,463
TNP Enterprises Inc	2,400	74,100
Toll Bros Inc	43,400	1,245,059
Tommy Hilfiger	37,900	2,368,750
Torchmark Corp	3,100	141,825
Toro Co	2,800	95,900
Tosco Corp	245,500	7,242,250
Tower Automotive Inc	25,000	1,071,876
Tower Realty Trust Inc	3,700	82,788
Toys R Us Inc	338,200	7,926,732
Trans World Airs Inc	11,400	118,275
Trans World Entertainment Corp	31,200	1,345,500
Transaction Sys Architects Inc Cl A	43,600	1,678,600
Transamerica Corp	63,600	7,321,951
Transmontaigne Oil Co	2,100	31,238
Transocean Offshore Inc	65,000	2,892,500
Travelers Group Inc	515,300	31,240,033
Tremont Corporation	800	44,950
Trenwick Group Inc	2,500	97,110
Trex Medical Corp	1,900	31,350
Triad Guaranty Inc	900	30,600
Triangle Pacific Corp Del	39,200	2,156,000
Tribune Co New	114,600	7,885,970
Trico Marine Svcs Inc	4,400	60,227
Tricon Global Restaurants Inc	125,400	3,973,675
Trimble Navigation Ltd	7,500	121,410
Trinet Corp Realty Trust	5,000	170,000
Tristar Aerospace Co	66,900	1,036,950
Triton Energy Ltd	31,100	1,115,713
TRW Inc	2,700	147,488
TSI Intl Software Ltd	51,200	1,171,200
Tupperware Corp	181,400	5,101,875
Twinlab Corp	71,200	3,110,586
Tyco Intl Ltd New	446,800	28,148,400
Tyson Foods Inc Com Cl A	221,100	4,795,217
U S Airways Group Inc	45,300	3,590,025

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
U S Bancorp Pa	900	\$ 69,582
U S Rentals Inc	200,000	7,887,600
U S Restaurant Pptys Inc	2,500	67,658
U S West Inc New	189,700	8,880,426
UCAR Intl Inc	145,000	4,232,260
UGI Corp New	7,200	179,100
UICI	7,500	204,375
Ultimate Software Group Inc	78,200	728,277
Ultramar Diamond Shamrock	123,500	3,898,031
Ultratech Stepper	2,000	39,500
UMB Finl Corp	3,200	158,400
Unicapital Corp New	114,900	2,204,701
Unicom Corp	4,900	171,809
Unifirst Corp	1,700	42,500
Union Camp Corp	1,500	74,438
Union Carbide Corp	77,400	4,131,225
Union Pacific Corp	296,500	13,046,000
Union Pacific Res Group Inc	361,300	6,345,512
Union Tex Pete Hldgs Inc	77,000	2,233,000
Uniphase Corp	21,500	1,349,792
Unisource Energy Corp	4,400	69,300
Unisource Worldwide Inc	275,100	2,974,657
Unisys Corp	444,300	12,551,475
United Asset Mgmt Corp	110,000	2,866,930
United Auto Group Inc	3,100	67,813
United Bankshares Inc	4,600	156,975
United Cos Finl Corp	5,500	85,938
United Dominion Rlty Trust Inc	20,100	278,888
United Fire & Cas Co	1,300	50,944
United Healthcare Corp	23,500	1,496,668
United Illuminating Co	3,100	156,938
United Natl Bancorp N J	1,800	52,650
United States Surgical Corp	1,700	77,138
United Stationers Inc	800	51,800
United Technologies Corp	143,200	13,246,000
United Water Res Inc	5,900	106,200
United Wis Svcs Inc	1,800	51,075
Unitrode Corp	105,600	1,214,400
Universal Corp Va	4,400	164,450
Universal Foods Corp	11,300	250,724
Universal Forest Prods Inc	3,300	54,038
Univision Communications Inc Cl A	42,800	1,594,300
Unocal Corp	356,400	12,741,300
UNOVA Inc	8,000	172,504
UNUM Corp	3,100	172,050
Urban Shopping Center	2,200	69,300
URS Corp	2,700	45,900
US Bancorp Del	155,971	6,706,753
US Home Corp	2,600	107,250
USA Waste Services Inc	104,450	5,157,219

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
USCS Intl Inc	1,600	\$ 33,101
USFreightways Corp	5,700	187,211
USG Corp	10,400	562,900
UST Corp	5,900	156,350
UST Inc	80,600	2,176,200
USWeb Corp	68,800	1,629,734
USX-Marathon Group Inc	6,500	223,035
USX-US Steel Group	170,200	5,616,600
V F Corp	2,700	139,725
V W R Corp	1,900	46,788
Vail Resorts Inc	3,800	101,175
Valassis Communications Inc	210,000	8,098,230
Valero Energy Corp New	142,000	4,721,500
Valhi Inc New	3,200	33,600
Valmont Inds Inc	2,600	51,919
Value City Department Stores Inc	2,600	54,600
Vanguard Cellular Cl A	1,800	33,975
Vanstar Corp	100,000	1,481,300
Vantive Corp	54,000	1,107,000
Varco Intl Inc	37,400	741,006
Varlen Corp	2,900	100,050
Venator Group Inc	493,000	9,428,625
Vencor Inc New	127,800	926,550
Ventana Med Sys Inc	25,100	702,800
Ventas Inc	182,900	2,526,398
Verio Inc	56,400	1,402,950
Verisign Inc	27,800	1,039,025
Vermont Finl Svcs Corp	2,900	79,570
Vertex Pharmaceuticals Inc	3,600	81,000
Vesta Ins Group Inc	2,400	51,151
Veterinary Ctrs Amer Inc	1,700	31,982
Viacom Inc Cl B	83,400	4,858,050
Viad Corp	421,400	11,693,850
VIASOFT Inc	91,800	1,486,058
Vincam Group Inc	59,400	1,165,725
Vintage Pete Inc	109,600	2,068,700
Vishay Intertechnology Inc	11,400	204,497
Visio Corp	80,000	3,820,000
Vitalink Pharmacy Svcs	2,800	61,776
Vitesse Semiconductor Corp	110,000	3,396,250
Vivus Inc	6,400	38,598
Vlasic Foods Intl Inc	3,100	62,388
VLSI Technology Inc	9,400	157,741
Volt Information Sciences Inc	1,400	37,975
Vtel Corp	49,700	319,969
Vysis Inc	58,600	586,000
W R Berkley Corp	45,000	1,802,835
Wabash Natl Corp	4,200	108,150
Wachovia Corp	4,600	388,700
Wal Mart Stores Inc	638,700	38,801,025

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

DESCRIPTION	SHARES	MARKET VALUE
Walden Residential Pptys Inc	3,800	\$ 93,100
Walgreen Co	217,100	8,969,052
Wallace Computer Secs Inc	9,500	225,625
Walter Inds Inc	6,800	128,778
Wang Labs Inc	230,300	5,858,372
Wang Labs Inc Wts	31,300	273,875
Warnaco Group Inc Cl A	154,800	6,569,402
Warner Lambert Co	349,300	24,232,688
Washington Fed Inc	248,180	6,855,973
Washington Gas Lt Co	74,600	1,995,550
Washington Mut Inc	91,300	3,965,890
Washington Real Estate Invt Trust	6,500	112,938
Washington Wtr Pwr Co	12,300	275,987
Waste Mgmt Inc New	401,600	14,056,000
Waters Corp	34,300	2,021,573
Watkins Johnson Co	32,700	850,200
Watsco Inc Cl A	900	31,669
Watts Ind Inc Cl A	3,600	75,150
Wausau-Mosinee Paper Corp	83,100	1,900,913
Webb Del Corp	3,100	80,408
Webster Finl Corp Waterbury	6,000	199,500
Weeks Corp	4,200	133,090
Weingarten Rlty Invs	1,000	41,813
Wellman Inc	106,800	2,423,078
Wellpoint Health Networks Inc New	16,100	1,191,400
Wells Fargo & Co	15,600	5,756,400
Wellsford Real Pptys Inc	3,800	53,675
Wendys Intl Inc	2,900	68,150
Werner Enterprises Inc	6,300	120,097
Wesbanco Inc	3,500	94,063
West Coast Bancorp Ore New	2,000	49,250
West Inc	2,900	82,108
West Marine Inc	50,000	900,000
WestAmerica Bancorporation	132,200	4,246,925
Westcorp	2,300	31,625
Western Atlas Inc	1,200	101,850
Western Bancorp	1,900	80,157
Western Gas Res Inc	4,700	68,738
Western Invt Real Estate Trust	3,800	52,014
Westfield Amer Inc	6,600	121,275
Westinghouse Air Brake Co New	2,800	73,500
Westpoint Stevens Inc	80,800	2,666,400
Westvaco Corp	28,200	796,650
Westwood One Inc	69,400	1,750,199
Wet Seal Inc Cl A	55,600	1,779,200
Weyerhaeuser Co	4,500	207,846
Whirlpool Corp	61,700	4,241,875
White River Corp	900	81,450
Whitney Holding Corp	4,400	223,300
Whittman-Hart Inc	13,800	667,575

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC COMMON STOCKS (Continued)

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
WHX Corp	3,600	\$ 47,477
Wicor Inc	8,200	189,625
Willamette Inds Inc	198,400	6,348,800
Williams Cos	152,500	5,146,875
Williams Sonoma Inc	97,000	3,085,861
Wilmar Inds Inc	56,200	1,433,100
Wilmington Trust Corp	115,000	7,000,625
Winn Dixie Stores Inc	3,300	168,300
Winnebago Inds Inc	3,000	38,250
Winstar Communications	1,800	77,288
Wisconsin Central Transportation	33,500	732,813
Witco Corp	21,200	620,100
Wolverine Tube Inc	67,700	2,572,600
World Color Press Inc	8,400	294,000
Worldcom Inc Ga	246,700	11,949,655
Worthington Inds Inc	2,200	33,139
WPS Resources Corp	5,200	170,628
Wrigley Wm Jr Co	108,600	10,642,800
Wyman Gordon Co	2,500	49,845
Xerox Corp	328,100	33,343,163
Xomed Surgical Prods Inc	1,100	34,238
XTRA Corp	3,400	205,700
Xylan Corp	243,700	7,265,428
Yahoo Inc	37,050	5,835,375
Yankee Energy Sys Inc	2,300	56,638
Yellow Corp	178,300	3,309,783
York International Corp New	67,600	2,944,859
Young & Rubicam Inc	48,000	1,536,000
Young Broadcasting Inc Cl A	600	39,000
Zale Corp	7,800	248,141
Zapata Corp	3,200	31,802
Zebra Technologies Cl A	68,298	2,919,740
Zeigler Coal Hldg Co	86,800	1,486,451
Zenith Natl Ins Corp	2,100	59,195
Zions Bancorp	59,000	3,134,375
TOTAL DOMESTIC COMMON STOCKS	138,675,063	\$ 5,180,397,858

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
AUSTRALIAN DOLLAR		
AMP Ltd	153,000	\$ 1,790,748
Australia & New Zealand Bank Group	934,761	6,448,623
Coca-Cola Ltd	634,709	4,245,019
Henry Walker Group Ltd	355,000	378,127
National Australia Bank Ltd Ord	280,000	3,693,336
Portman Mining Ltd Ord	1,200,000	966,064
Publishing & Broadcasting Ltd	581,000	2,500,588
Q.B.E. Insurance Group	482,035	1,701,511
Qantas Airways	1,287,510	1,937,484
Telstra Corporation	279,500	716,578
TOTAL AUSTRALIAN DOLLAR	<u>6,187,515</u>	<u>24,378,078</u>
AUSTRIAN SCHILLING		
Omv AG	33,980	4,551,540
Rhi AG	53,000	2,566,739
Voest Alpine Stahl AG	48,000	1,923,932
Wolford AG	25,000	1,584,771
TOTAL AUSTRIAN SCHILLING	<u>159,980</u>	<u>10,626,982</u>
CANADIAN DOLLAR		
Canadian Pacific	140,668	3,960,054
Imasco Ltd	185,095	3,417,192
Royal Bank of Canada	47,000	2,828,438
TOTAL CANADIAN DOLLAR	<u>372,763</u>	<u>10,205,684</u>
DANISH KRONE		
Bikuben Girobank	36,000	2,229,675
Danisco A/S	54,500	3,661,334
den Danske Bank AF	27,000	3,239,057
Teledanmark	81,166	7,789,668
TOTAL DANISH KRONE	<u>198,666</u>	<u>16,919,734</u>
DEUTSCHE MARK		
Allianz AG	12,768	4,254,821
Bayer AG	126,741	6,558,232
Bayer Motoren Werk	2,844	2,875,512
Bayerische Motoren Werke AG	447	442,770
Bayerische Vereinsbank	105,477	8,940,709
Berl Kraft & Licht	74,283	3,168,859
BHF Bank	32,318	1,230,053
Commerzbank AG	14,430	549,219
Daimler-Benz AG	66,556	3,272,490
Degussa	35,740	2,286,964
Deutsche Bank AG	22,200	1,876,853
Deutsche Pfandbrief/Hypo	19,275	1,542,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
DEUTSCHE MARK (Continued)		
Deutsche Telekom AG	62,495	\$ 1,710,389
Dresdner	69,676	3,763,662
Ergo Verischerungsgruppe AG	21,000	3,769,529
Hoechst AG	225,128	11,318,762
Lufthansa Aktien	102,000	2,568,366
Mannesmann AG	169,410	17,410,279
Metro AG	75,497	2,996,541
Phoenix AG	111,000	2,459,834
RWE AG	67,759	4,009,230
SGL Carbon AG	46,512	5,416,522
Siemens AG	10,936	667,369
Thyssen AG	10,666	2,712,296
Veba AG	87,613	5,890,214
Viag AG	5,106	3,513,380
Volkswagen AG	1,000	0
Volkswagen AG DM50	281	271,348
TOTAL DEUTSCHE MARK	<u>1,579,158</u>	<u>105,476,203</u>
FINNISH MARKKA		
Kemira OY	193,000	1,994,551
Lassila & Tikan	108,000	2,992,072
Nokia OYJ	230,600	16,959,286
UPM-Kymmene OY	93,000	2,559,556
TOTAL FINNISH MARKKA	<u>624,600</u>	<u>24,505,465</u>
FRENCH FRANC		
Accor	12,482	3,493,143
Alcatel Alsthom	32,486	6,614,334
Allianz AG	766	4,453
Assurances Generales De France	14,541	822,771
AXA-UAP	54,706	6,152,841
Banque Nationale De Paris	30,548	2,495,983
Bic	118,281	8,412,310
Cap Gemini	50,520	0
Cap Gemini Sogeti	54,171	8,511,817
Carrefour	2,305	1,458,257
Casino Guichard-Perrachon	36,928	2,948,865
Christian Dior	12,731	1,602,430
E.C.I.A.(Equip Et Compas Pour L'Ind)	12,300	3,417,797
Eridania Beghin Say	14,012	3,093,950
Essilor International	15,454	6,535,871
France Telecom	42,113	2,904,585
Groupe Danone	14,323	3,949,130
Lafarge	49,906	5,158,989
L'Oreal	2,800	1,557,459

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
FRENCH FRANC (Continued)		
Michelin Class 'B'	97,344	\$ 5,619,096
Paribas	10,049	1,075,373
Primagaz (Cie Des Gaz Petrole)	60,884	5,347,238
Rhodia	99,200	2,766,311
Rhone Poulencsa	40,911	2,307,418
Sanofi	15,981	1,879,340
Schneider Sa (Ex Sb)	53,836	4,292,811
Scor SA	22,112	1,402,572
Sidel	40,000	2,911,015
Societe Nationale Elf Aquitaine	57,140	8,033,245
Sodexo Alliance	16,810	3,177,941
Suez Lyonnaise Des Eaux	15,350	2,526,174
Total	17,443	2,267,648
Vivendi	62,087	13,257,412
TOTAL FRENCH FRANC	<u>1,180,520</u>	<u>125,998,579</u>
HONG KONG DOLLAR		
Cheung Kong Hldgs	128,000	629,378
Citic Pacific	312,000	551,635
CLP Hldgs	306,000	1,394,033
Cosco Pacific Ltd	642,000	229,919
Dah Sing Financial Hldgs	304,000	353,096
Espirit Holdings Ltd	3,056,000	926,826
Guangdong Kelon Electrical	1,348,000	1,061,198
Guoco Group	495,000	520,643
Hong Kong & China Gas Co	3,525,657	3,814,925
HSBC Hldgs	133,552	3,266,153
Hutchison Whampoa	1,176,000	6,207,368
Kerry Properties Ltd	625,499	460,128
National Mutual Asia Ltd	1,770,000	1,130,721
New World Development Co	693,930	1,343,333
Peregrine Investments Hldgs	1,237,000	0
Television Broadcast Ord	414,000	1,095,295
Wing Hang Bank	190,000	253,788
TOTAL HONG KONG DOLLAR	<u>16,356,638</u>	<u>23,238,439</u>
IRISH PUNT		
Bank of Ireland	400,000	8,174,082
Greencore Group	470,000	2,556,842
Independent Newspapers	1,016,455	5,458,714
Irish Life	106,957	984,679
TOTAL IRISH PUNT	<u>1,993,412</u>	<u>17,174,317</u>
ITALIAN LIRA		
Assicurazioni Generali	282,460	9,185,113

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
ITALIAN LIRA (Continued)		
Banca Di Roma	717,700	\$ 1,493,979
Banca Intesa Spa	533,500	2,984,963
Banca Pop Di Milano	270,000	2,149,413
Credito Italiano	145,000	759,074
Eni Spa	1,002,173	6,568,532
Fiat Ord It11000	635,900	2,783,352
Instituto Mobilliare Italiano Spa	430,000	6,773,704
Istituto Banc San Paolo Di Torino	434,178	6,265,488
Istituto Naz Delle Assicurazioni	3,139,309	8,919,185
Rinascenza (La)	572,138	5,697,362
Rinascente (La) Di Risp	41,265	205,923
Saipem	328,835	1,689,073
Societe Italiana Perilgas	398,372	1,622,658
Telecom Italia Mobile	1,510,960	9,240,218
Telecom Italia Spa	1,684,010	12,397,043
TOTAL ITALIAN LIRA	<u>12,125,800</u>	<u>78,735,080</u>
JAPANESE YEN		
Alps Electric Co	125,000	1,486,114
Anritsu Y50	244,000	2,197,647
Asahi Bank Ltd	16,000	70,325
Bridgestone Corp Y50	175,000	4,135,900
Canon Inc Y50	253,000	5,742,344
Chugai Pharmaceutical Co.	300	1,963
Fujitsu Y50	271,000	2,850,889
Hitachi Ord	285,000	1,858,453
Hitachi Software	45,600	1,209,124
Keyence Y50	9,200	1,000,974
Matsushita Electric Ind	216,000	3,470,697
Matsushita Electric Works	106,000	855,425
Mitsubishi Heavy Industries	267,000	1,008,093
Murata Manufacturing Co Ltd	70,000	2,269,701
NEC Corp	79,000	736,010
Nicheila Co Ltd	24,400	1,659,663
Nikko Securities	127,000	526,174
Nintendo Co	48,100	4,453,550
Nippon Tel & Tel	679	5,626,337
Nomura Securities	254,000	2,955,727
Noritsu Koiki Co	72,000	1,608,245
NTT Data Corporation	101	3,646,004
Pioneer Electronic Corp	16,000	305,509
Ricoh Co	188,000	1,979,093
Shiseido Co	191,000	2,168,941

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
JAPANESE YEN (Continued)		
Shohkoh Fund & Co	15,600	\$ 3,832,985
SMC Corporation	34,100	2,592,179
Sony Corporation	150,300	12,941,511
Sumitomo Electric	76,000	768,297
Takefuji Corporation	16,000	737,833
Terumo Corporation	314,000	4,977,490
Tokyo Electron	45,000	1,378,033
Toppan Forms	74,000	966,158
Victor Co of Japan	176,000	1,378,479
TOTAL JAPANESE YEN	<u>3,984,380</u>	<u>83,395,867</u>
MALAYSIAN RINGGIT		
Tanjong PLC	727,000	1,007,896
Ytl Corporation	735,000	552,911
TOTAL MALAYSIAN RINGGIT	<u>1,462,000</u>	<u>1,560,807</u>
MEXICAN NEW PESO		
Gruma SA	3,572	7,783
TOTAL MEXICAN NEW PESO	<u>3,572</u>	<u>7,783</u>
NETHERLANDS GUILDER		
Aalberts Industries	373,000	5,506,434
ABN-Amro Hldgs NV	89,000	2,082,588
Aegon NV	158,378	13,780,800
Ahold Kon	53,410	1,714,518
Akzo Nobel NV	31,220	6,940,165
Benckiser NV	43,000	2,644,430
Bols Wessanen (Koninklijke)	208,000	2,995,969
Buhrmann NV	75,299	1,943,367
Dutch States Mines (DSM)	16,350	1,678,242
Elsevier NV	99,890	1,507,533
Getronics NV	175,952	9,116,382
Heineken NV	68,143	2,569,688
Heineken NV NLG 25	57,040	2,181,551
Hunter Douglas NV	121,872	6,620,222
IHC Caland NV	103,481	5,823,953
ING Groep NV	371,167	24,304,119
Koninklijke PTT Nederland	150,400	8,389,027
Koninklijke Van Ommeren	30,000	1,259,463
Philips Electronic	83,830	7,046,961
Royal Dutch Petrol	47,760	2,648,377
Unilever NV CVA	87,400	6,934,598
Vendex International NV	45,804	1,472,242
VNU NV	72,000	2,615,672
TOTAL NETHERLANDS GUILDER	<u>2,562,396</u>	<u>121,776,301</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
NEW ZEALAND DOLLAR		
Telecom Corp of New Zealand	671,000	\$ 2,765,646
TOTAL NEW ZEALAND DOLLAR	<u>671,000</u>	<u>2,765,646</u>
NORWEGIAN KRONE		
Den Norske Bank	419,000	2,195,060
Orkla ASA	41,200	867,114
Smedvig	150,000	1,700,658
Sparebanken Nord Prim Cap Cert	50,000	1,433,505
Tomra Systems	225,000	6,743,988
Uni Storebrand AS	305,615	2,708,258
TOTAL NORWEGIAN KRONE	<u>1,190,815</u>	<u>15,648,583</u>
PHILLIPINES PESO		
Ayala Corporation	409,500	105,566
Ayala Land Inc	1,319,490	379,709
Carmella & Palmesa Homes	3,760,700	189,388
Philippine Long Distance Telephone	31,000	706,235
Sm Prime Hldgs Inc	2,508,000	396,949
TOTAL PHILLIPINES PESO	<u>8,028,690</u>	<u>1,777,847</u>
PORTUGUESE ESCUDO		
Electricidade De Portugal-E.D.P.	16,935	393,671
TOTAL PORTUGUESE ESCUDO	<u>16,935</u>	<u>393,671</u>
POUND STERLING		
Amvescap PLC	316,000	3,084,599
Bank of Ireland	173,000	3,559,303
Barclays Bank	289,900	8,358,872
Boc Group Ord	186,277	2,537,880
Boots Co Ord	101,452	1,680,992
Boxmore International	528,100	2,225,017
Britannic Assurance Ord	204,648	3,896,268
British Aerospace	382,997	2,933,349
British Airways Ord	514,135	5,563,433
British Energy	178,800	1,563,344
British Land Ord	250,733	2,575,107
British Petroleum Ord	351,800	5,130,539
British Telecom Ord	705,887	8,716,109
Bunzl Ord	712,000	3,350,309
Burmah Castrol Ord	260,404	4,649,296
Cadbury Schweppes Ord	773,792	11,975,506
Capita Group	700,000	6,021,191
Carlton Communications	750,000	6,695,311

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCK (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
POUND STERLING (Continued)		
Charter	233,000	\$ 2,439,638
Colt Telecom Group	225,000	9,019,898
Compass Group	900,000	10,347,072
Cookson GP Ord	1,296,960	4,458,097
Diageo	979,662	11,503,572
Electrocomponents Ord	166,800	1,308,126
Emi Group	385,457	3,370,256
Expro International Group	300,000	2,512,932
General Electric Ord	837,300	7,216,176
Glaxo Wellcome PLC	73,683	2,211,842
Granada GP Ord	165,500	3,043,234
Hays	425,000	7,127,065
HSBC Hldgs	138,400	3,353,192
Imi Ord	360,800	2,236,563
Imperial Chemical Industries	275,402	4,420,770
Imperial Tobacco Group	602,000	4,439,913
Irish Life PLC Ord	500,000	4,667,946
Kingfisher PLC	151,321	2,436,589
Lloyds TSB Group PLC	371,234	5,194,055
Lonrho Africa	205,817	252,420
Lonrho Ord	205,817	965,036
Mayflower Corp Ord	752,000	2,509,595
Mirror Group Newspaper PLC	356,000	1,342,500
National Westminster Bank	170,041	3,038,777
Orange	388,889	4,120,549
Pic International Group	724,688	2,720,754
Powergen Ord	267,697	3,698,534
Prudential Corporation Ord	324,000	4,268,280
Racal Electronics	800,000	4,518,605
Railtrack Group	223,567	5,480,059
Reckitt & Colman	156,000	2,977,874
Rentokil Initial	1,150,000	8,270,482
Reuters Group	232,526	2,657,773
Rio Tinto PLC	237,632	2,676,483
Rolls Royce Ord	616,618	2,546,520
Sainsbury (J) Ord	454,946	4,053,752
Scotia Hldgs	470,239	2,577,566
Serco Group	340,000	7,829,134
Signet Group	4,253,146	3,069,390
Smithkline Beecham	663,145	8,094,286
South West Water Ord	140,000	2,326,715
Storehouse Ord	764,000	3,199,800
Tesco PLC Ord	368,874	3,600,722
Thomson Travel Group PLC	1,050,000	3,241,282
Unilever Ord	351,848	3,745,687

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
POUND STERLING (Continued)		
Vodafone Group	177,900	\$ 2,257,516
WPP Group PLC	1,111,100	7,281,571
Zeneca Group	62,772	2,693,969
TOTAL POUND STERLING	<u>32,786,706</u>	<u>281,838,992</u>
SINGAPORE DOLLAR		
Wing Tai Hldgs	879,000	374,596
TOTAL SINGAPORE DOLLAR	<u>879,000</u>	<u>374,596</u>
SOUTH AFRICAN RAND		
Dimension Data Hldgs	531,168	2,885,803
Sasol	251,000	1,463,812
TOTAL SOUTH AFRICAN RAND	<u>782,168</u>	<u>4,349,615</u>
SPANISH PESETA		
Banco Popular Espanol SA	60,000	5,126,392
Banco Santander SA	109,800	2,815,106
Centros Comerciales Pryca	40,128	744,421
Compania Telefonica De Espana SA	374,412	17,339,989
Corporation Bancaria De Espana	235,528	5,292,414
Dragados & Construction SA	62,800	2,014,160
Endesa SA	71,807	1,573,664
Repsol Ord Shs	116,000	6,402,764
Vallehermoso SA	56,710	2,089,256
TOTAL SPANISH PESETA	<u>1,127,185</u>	<u>43,398,166</u>
SWEDISH KRONA		
Aga AB	103,500	1,583,342
Assi Doman	42,100	1,224,742
Astra AB	602,092	12,261,092
Atlas Copco AB	67,700	1,846,386
Bure Investment Aktiebolaget	89,000	1,417,322
Electrolux AB	150,000	2,576,834
Ericsson (LM)	621,200	18,149,391
Foreningssparbanken	48,000	1,444,532
Hennes & Mauritz AB	20,200	1,289,270
Investor AB	79,856	4,661,245
Munters AB	50,000	545,461
Nobel Biocare	152,000	2,268,116
Nordbanken Hldgs AB	207,000	1,518,451
Skandia Forsakringsab	538,900	7,703,493
Skandinaviska Enskilda Banken	230,357	3,942,836
SKF Frueher AB	207,400	3,770,956
Svenska Handelsbanken	163,400	3,585,624

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
SWEDISH KRONA (Continued)		
Swedish Match Co	1,311,500	\$ 4,358,016
Trelleborg AB	155,000	2,040,778
TOTAL SWEDISH KRONA	<u>4,839,205</u>	<u>76,187,887</u>
SWISS FRANC		
Abb AB	3,548	5,239,662
Ares-Serono SA	1,253	1,743,031
Ciba Specialty Chemicals Hldgs	26,744	3,433,804
Clariant Basel	6,390	4,208,604
Credit Suisse Group	30,830	6,859,919
Gretag Imaging Group	18,000	1,726,661
Holderbank Financiere Glarus AG	10,021	12,750,877
Nestle SA	8,385	17,944,165
Novartis AG	13,541	22,533,941
Roche Hldgs AG	1,015	9,967,316
Societe Gen De Surveil Hldgs SA	1,248	2,115,380
Sulzer Gebrueder AG	1,789	1,411,810
Swiss Life	1,960	1,659,177
Tag Heuer Intl SA Reg	9,640	913,601
UBS AG (United Bank of Switzerland)	33,683	12,524,384
Valora Hldgs AG	7,730	2,038,502
TOTAL SWISS FRANC	<u>175,777</u>	<u>107,070,834</u>
THAILAND BAHT		
Advanced Info Services Co Ltd	221,800	943,831
Telecomasia Corp Public Co Ltd	1,518,000	439,611
Thai Farmers Bank Public Co Ltd	427,000	376,023
TOTAL THAILAND BAHT	<u>2,166,800</u>	<u>1,759,465</u>
U S DOLLAR		
Ace Ltd	62,400	2,433,600
Alcan Alum Ltd	5,100	140,887
Aracruz Celulose SA	68,200	780,072
Barrick Gold Corporation	8,000	154,000
Biochem Pharma Inc	119,111	3,156,442
British Steel PLC	150,000	3,412,500
Broken Hill Proprietary Ltd	177,000	2,998,026
Canadian National Railways Co	102,086	5,423,319
CBT Group Pub Ltd	88,127	4,714,800
Centrais Eletr Bras-Elektrobras	97,600	1,489,376
Centrais Geradoras Di Sul Do	9,760	70,457
Clinichem Development Inc	2,977	17,118
Cognos Inc	288,500	7,685,929
Comcast UK Cable Partners	127,450	1,999,436
Cott Corp Que	300,000	2,175,000

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
U S DOLLAR (Continued)		
Danka Business Sys PLC	157,200	\$ 1,857,004
Desc SA De CV	128,000	2,544,000
Deutsche Telekom	66,393	1,825,808
Doncaster PLC ADR	72,000	2,002,536
Doncasters PLC	83,300	2,316,823
ECI Telecom	104,000	3,939,000
Elan PLC ADR	72,800	4,681,986
Elec & Eltek International Co	401,400	1,356,732
Elf Aquitaine	61,000	4,331,000
Enersis SA	73,000	1,783,974
Exel Ltd	28,000	2,177,000
Four Season Hotels Inc	40,600	1,431,150
Galileo Technology Ltd	35,800	483,300
Gemstra Intl Group M Ltd	110,600	4,140,643
Globalstar Telecommunications	49,800	1,344,600
Gucci Group NV	79,300	4,202,900
Hanson PLC	178,000	5,395,714
Huaneng Power International Inc	36,800	494,518
Inco Ltd	367,700	5,009,913
Jardine Matheson Hldgs	158,300	427,410
Laidlaw Inc	7,400	90,191
Lernout & Hauspie Speech Prod	28,200	1,683,202
Lucasvarity PLC	238,000	9,475,494
Menco Software Ltd	25,400	482,600
Mid Ocean Ltd Ord	21,400	1,679,900
New Holland NV	119,500	2,345,188
Nokia Corporation	52,600	3,826,650
Northern Telecom Ltd	11,600	658,300
Nova Corp Alta	430,000	4,972,090
Petrol Brasileiro-Petrobras	25,000	464,725
Petsoc Energy Ltd	37,900	613,525
Philippine Long Distance Telephone	32,600	737,575
Philips Electronics NV	75,500	6,408,062
Placer Dome Inc	5,600	65,800
Puerto Rican Cem Inc	1,000	47,250
Ranger Oil Ltd	125,000	914,125
Reuters Group PLC	0	22
Royal Dutch Pete Co	91,800	5,031,833
Saville Sys PLC	166,900	8,365,862
Seagram Ltd	155,200	6,353,578
SK Telecom Co Ltd	214,500	1,193,263
South African Breweries	75,992	1,574,022
Stolt Nielsen	120,000	2,055,000
Telebras	104,500	11,320,043
Telefonos De Mexico	112,000	5,383,056

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL COMMON STOCKS (Continued)

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
U S DOLLAR (Continued)		
Teva Pharmaceutical Inds Ltd	168,700	\$ 5,936,216
Tranz Rail Hldgs Ltd	79,900	529,337
Uniao Sid Minas Gerais-Usiminas	21,200	106,678
Unibanco Hldgs SA	85,000	2,507,500
Unilever NV New York Shs	33,400	2,636,529
Vocaltec Ltd	25,300	281,462
Yacimientos Petrolifernas Fiscales	319,900	9,617,154
Ypf Sociedad Anonima Sponsored	148,000	4,449,324
TOTAL U S DOLLAR	<u>7,069,296</u>	<u>190,202,529</u>
TOTAL INTERNATIONAL COMMON STOCKS	<u><u>108,524,977</u></u>	<u><u>\$ 1,369,767,150</u></u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC PREFERRED STOCKS

<u>DESCRIPTION</u>	<u>SHARES</u>	<u>MARKET VALUE</u>
Capstar Broadcasting Partners Inc 12% Sr Exch	21,200	\$ 2,501,600
Chancellor Media Corp Ser A Sr Exch	31,100	4,462,850
Concentric Network Corp Del Ser 144A Sr Exch	660	660,000
IXC Communications Inc Ser B Jr Exch	2,067	2,387,385
News Corp Ltd	274,000	7,740,500
SF Hldgs Group Inc Units	34	298,350
Superior Natl Tr 10.75% Gtd	1,500	1,597,500
Time Warner Inc Ser M Exch	2,119	2,362,685
TOTAL DOMESTIC PREFERRED STOCKS	<u>332,680</u>	<u>\$ 22,010,870</u>

INTERNATIONAL PREFERRED STOCKS

<u>DESCRIPTION (BY CURRENCY)</u>	<u>SHARES</u>	<u>MARKET VALUE (USD)</u>
DEUTSCHE MARK		
SAP AG	15,362	\$ 10,422,733
Volkswagen AG Cum	13,663	9,416,494
TOTAL DEUTSCHE MARK	<u>29,025</u>	<u>19,839,227</u>
ITALIAN LIRA		
I.F.I.(Istituto Finanziario)	224,052	4,682,819
Telecom Italia Spa	1,047,000	5,068,708
TOTAL ITALIAN LIRA	<u>1,271,052</u>	<u>9,751,527</u>
POUND STERLING		
Misys Ord 5P	185,759	10,554,137
TOTAL POUND STERLING	<u>185,759</u>	<u>10,554,137</u>
U S DOLLAR		
Petrol Brasileiro-Petrobras	158,700	2,950,074
SAP AG 144A	42,000	9,491,706
Uniao Sid Minas Gerais-Usiminas	78,300	394,006
TOTAL U S DOLLAR	<u>279,000</u>	<u>12,835,786</u>
TOTAL INTERNATIONAL PREFERRED STOCKS	<u>1,764,836</u>	<u>\$ 52,980,677</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

DOMESTIC SHORT-TERM INVESTMENTS

<u>DESCRIPTION</u>	<u>PAR VALUE</u>	<u>MARKET VALUE</u>
MONEY MARKET FUNDS		
Glenmede Trust Company MMF	\$ 25,000,000	\$ 25,000,000
BT Pyramid Directed Account Cash Fund	671,985,031	671,985,031
BT Short Term Investment Fund Directed	89,178,045	89,178,045
Chase Bank Domestic Liquidity Fund	324,134	324,134
Dreyfus Cash Management Plus	54,255,000	54,255,000
Federated Prime Obligation	6,010,000	6,010,000
TOTAL MONEY MARKET FUNDS	<u>846,752,210</u>	<u>846,752,210</u>
U S TREASURY BILLS		
U S Treasury Bills	16,455,784	16,455,784
U S Treasury Bills	37,580,449	37,580,449
TOTAL U S TREASURY BILLS	<u>54,036,233</u>	<u>54,036,233</u>
TOTAL DOMESTIC SHORT-TERM INVESTMENTS	<u>\$ 900,788,443</u>	<u>\$ 900,788,443</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

INTERNATIONAL SHORT-TERM INVESTMENTS

<u>DESCRIPTION (BY CURRENCY)</u>	<u>PAR VALUE</u>	<u>MARKET VALUE (USD)</u>
BRITISH POUND		
Goldman Sachs GBP	2,887	\$ 2,887
TOTAL BRITISH POUND	<u>2,887</u>	<u>2,887</u>
FRENCH FRANC		
FRF Initial Margin	1,540	1,540
TOTAL FRENCH FRANC	<u>1,540</u>	<u>1,540</u>
DEUTSCHE MARK		
DEM Initial Margin	539	539
TOTAL DEUTSCHE MARK	<u>539</u>	<u>539</u>
ITALIAN LIRA		
ITL Initial Margin	1,537	1,537
TOTAL ITALIAN LIRA	<u>1,537</u>	<u>1,537</u>
MEXICAN NEW PESO		
Mexican Cetes Dscfd	5,992,932	5,978,112
TOTAL MEXICAN NEW PESO	<u>5,992,932</u>	<u>5,978,112</u>
TURKISH LIRA		
Turkey Treasury Bill	2,955,476	3,449,906
TOTAL TURKISH LIRA	<u>2,955,476</u>	<u>3,449,906</u>
TOTAL INTERNATIONAL SHORT-TERM INVESTMENTS	<u>8,954,911</u>	<u>\$ 9,434,521</u>

**LIST OF INVESTMENTS
AS OF JUNE 30, 1998**

PRIVATE EQUITY INVESTMENTS

<u>DESCRIPTION</u>	<u>MARKET VALUE</u>
Apollo Investment Fund III, L.P.	\$ 102,201,048
Apollo Investment Fund IV, L.P.	7,129,954
Brera Capital Partners, L.P.	81,283
Doughty Hanson & Company III, L.P.	200,000
Hicks, Muse, Tate, & Furst Equity Fund III, L.P.	248,587,502
Warburg, Pincus Equity Partners, L.P.	5,999,813
TOTAL PRIVATE EQUITY INVESTMENTS	<u>\$ 364,199,600</u>

REAL ESTATE INVESTMENT TRUSTS

<u>DESCRIPTION</u>	<u>MARKET VALUE</u>
DLJ Real Estate Mezzanine Capital Partners, L.P.	\$ 75,167,850
Starwood Opportunity Fund IV, L.P.	125,703,537
Olympus Real Estate Fund II, L.P.	36,479,035
TOTAL REAL ESTATE INVESTMENT TRUSTS	<u>\$ 237,350,422</u>

**NET EARNINGS ON INVESTMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	1998	1997
Earnings on Investments:		
Net appreciation (depreciation) in fair value of domestic investments:		
Bonds	\$ 4,610,086	\$ 20,361,361
Common and preferred stocks	74,904,182	416,583,492
Short-term investments	(1,131)	1,131
Real estate investments	26,311,669	30,802,216
Private equity investments	<u>131,436,455</u>	<u>12,458,530</u>
	\$ 237,261,261	\$ 480,206,730
Net appreciation (depreciation) in fair value of international investments:		
Bonds	1,800,341	(2,956,622)
Common and preferred stocks	93,980,924	108,644,396
Short-term investments	567,692	(232,960)
Futures and options	<u>910,104</u>	<u>649,985</u>
	97,259,061	106,104,799
Domestic interest income:		
Bonds	118,931,773	135,963,995
Certificates of deposit	15,223	21,383
Short-term investments	<u>31,975,362</u>	<u>15,381,790</u>
	150,922,358	151,367,168
International interest income:		
Bonds	59,328,109	68,676,365
Short-term investments	<u>3,361,528</u>	<u>5,080,381</u>
	62,689,637	73,756,746
Domestic common and preferred dividends		49,788,906
International common and preferred dividends		15,282,750
Securities lending income:		
Fixed	32,820,119	42,501,710
Equity	2,649,380	2,286,368
International	<u>39,833,414</u>	<u>23,669,406</u>
	75,302,913	68,457,484
Gain (loss) on sale of domestic securities, net:		
Bonds	69,894,879	1,760,078
Common and preferred stocks	983,455,127	417,381,616
Private equity investments	7,013,575	0
Short-term investments	<u>(2,517,354)</u>	<u>0</u>
	1,057,846,227	419,141,694
Gain on sale of international securities, net:		
Bonds	17,516,114	44,694,839
Common and preferred stocks	<u>46,050,868</u>	<u>30,118,696</u>
	63,566,982	74,813,535
Gain (loss) on international exchange transactions		(89,849,266)
Miscellaneous foreign income		55,265
Real estate income		8,942,761
Private equity income		2,849,889
Commission rebate income		<u>429,743</u>
		938,711
Gross earnings	<u>1,717,169,161</u>	<u>1,353,071,636</u>
Charges against earnings:		
Accrued domestic interest purchased		20,298,363
Accrued international interest purchased		228,792
Securities lending expenses:		
Fixed	32,416,970	41,285,338
Equity	373,580	396,343
International	<u>36,993,442</u>	<u>21,818,959</u>
	69,783,992	63,500,640
Domestic investment expense		42
International investment expenses:		
International investment expense	168,164	116,215
International tax expense	<u>2,168,204</u>	<u>1,435,906</u>
	2,336,368	1,552,121
Commission rebate expense		75,000
Real estate expense		780,582
Private equity expense		3,946,350
Custodian fees		1,707,790
Advisor fees		<u>16,690,092</u>
	19,719,262	16,690,092
Total charges	<u>110,427,672</u>	<u>108,779,772</u>
Net income on investments	<u>\$1,606,741,489</u>	<u>\$1,244,291,864</u>

INVESTMENT PERFORMANCE MEASUREMENTS

	<u>Rate of Return</u>	<u>Rank</u>
Comparative Rates of Return on Total Fund - Year Ended June 30, 1998		
Teachers' Retirement System of Louisiana	18.3%	32
Comparison indices:		
Median Public Fund Return	16.9%	50
Comparative Rates of Return on Equities - Year Ended June 30, 1998		
Teachers' Retirement System of Louisiana	24.9%	49
Comparison indices:		
Median Equity Only Public Fund Return	24.6%	50
Standard and Poor's 500 Index	30.2%	27
Comparative Rates of Return on Fixed Income Securities - Year Ended June 30, 1998		
Teachers' Retirement System of Louisiana	11.3%	40
Comparison indices:		
Median Bond Only Public Fund Return	11.0%	50
Lehman Brothers Aggregate Bond Index	10.5%	64
The performance for the past five years as compared to other public plans in the universe of plans maintained by Holbein Associates, the System's investment performance consultant, is as follows:		
Two-year period ending June 30, 1998	17.5%	68
Three-year period ending June 30, 1998	16.6%	69
Four-year period ending June 30, 1998	16.5%	66
Five-year period ending June 30, 1998	13.3%	64

ANNUAL RATES OF RETURN

	ANNUALIZED YEARS ENDING JUNE 30					ANNUALIZED	
	1994	1995	1996	1997	1998	3 YRS.	5 YRS.
TOTAL FUND							
Teachers' Retirement System of Louisiana	1.2%	16.3%	14.9%	16.6%	18.3%	16.6%	13.3%
Median Public Fund Return	0.6%	16.4%	15.2%	19.5%	16.9%	17.5%	13.8%
Inflation (CPI)	2.5%	3.0%	2.7%	2.3%	1.7%	2.2%	2.4%
DOMESTIC EQUITIES							
Teachers' Retirement System of Louisiana	0.2%	23.3%	25.3%	25.5%	24.9%	25.2%	19.4%
Median Equity Only Public Fund Return	1.6%	23.9%	25.6%	30.5%	24.6%	27.4%	21.8%
Standard & Poor's 500 Index	1.46%	26.1%	26.0%	34.7%	30.2%	30.2%	23.1%
DOMESTIC BONDS							
Teachers' Retirement System of Louisiana	(1.8%)	13.7%	4.7%	8.3%	11.3%	8.1%	7.1%
Median Bond Only Public Fund Return	(1.4%)	12.6%	5.0%	8.3%	11.0%	8.0%	7.1%
Shearson Lehman Govt./Corp. Bond Index	(1.3%)	12.5%	4.9%	8.2%	10.5%	7.9%	6.9%
INTERNATIONAL EQUITIES							
Teachers' Retirement System of Louisiana	20.7%	(0.1%)	20.6%	12.4%	12.5%	15.1%	12.9%
Median International Equity Only Return	22.3%	4.2%	17.9%	19.8%	8.1%	16.7%	15.2%
E.A.F.E. Index (after tax)	17.0%	1.7%	13.3%	12.8%	6.1%	10.7%	10.0%
INTERNATIONAL BONDS							
Teachers' Retirement System of Louisiana	2.6%	15.4%	2.1%	4.4%	0.9%	2.5%	5.0%
Median International Bond Only Return	2.5%	12.6%	4.7%	5.1%	4.0%	4.0%	6.6%
Salomon Brothers Non-US Government Bond Index	9.5%	22.7%	(1.7%)	2.2%	0.9%	0.4%	6.4%

**SUMMARY SCHEDULE OF COMMISSIONS PAID TO BROKERS
FOR THE YEAR ENDED JUNE 30, 1998**

Institutional brokers	\$ 2,276,271
Bear Stearns	
J. C. Bradford	
A. G. Edwards & Sons	
Goldman Sachs	
Interstate/Johnson Lane	
Merrill Lynch	
Morgan Keegan	
Paine Webber, Inc.	
Smith Barney	
Small/medium Louisiana brokers	785,290
J. C. Bradford	
Dean Witter	
Dorsey	
A. G. Edwards & Sons	
Legg Mason	
Prudential Securities	
Charles Sisk & Associates	
Sisung	
Medium out-of-state brokers	639,898
Concord	
First Southwest	
Makefield Securities	
Rauscher Pierce	
Stanford	
Specialty brokers	382,892
Cantor Fitzgerald	
Donaldson Lufkin	
Herzog	
Jefferies & Company	
Lehman	
Recapture brokers	1,609,976
CIS	
Cypress	
Donaldson	
EGS	
Lynch, Jones & Ryan	
Nutmeg	
Trade Plus	
Wilshire	
Minority brokers	647,669
Ashland Global (also Recapture)	
Gardner Rich & Co. (also Recapture)	
GRW (also Recapture)	
Jackson Shanklin (also Recapture)	
Lugano (also Recapture)	
Magna	
Pacific American	
Williams Capital (also Recapture)	
Other - advisors contacts	4,318,511
Subtotal commissions	10,660,507
Rebate to Teachers' Retirement System of Louisiana	(1,141,811)
Total commissions	<u>\$ 9,518,696</u>

ACTUARIAL SECTION

- Actuary's Certification Letter
- Summary of Assumptions
- Actuarial Valuation Balance Sheet
- Summary of Unfunded Actuarial Liabilities
- Summary of Actuarial and Unfunded Actuarial Liabilities
- Reconciliation of Unfunded Actuarial Liabilities
- Amortization of Unfunded Actuarial Accrued Liability
- Membership Data
- Historical Membership Data
- Principle Provisions of the Plan

HALL ACTUARIAL ASSOCIATES

Charles G. Hall
F.C.A., M.A.A.A., A.S.A.
Enrolled Actuary

1433 Hideaway Court
Baton Rouge, LA. 70806
(504) 924-6209

October 5, 1998

Board of Directors
TEACHERS' RETIREMENT SYSTEM OF LOUISIANA
Post Office Box 94123
Baton Rouge, Louisiana 70804-9123

Ladies and Gentlemen:

Pursuant to your request, we have completed our twelfth annual valuation of the Teachers' Retirement System of Louisiana as of June 30, 1998. The valuation was prepared on the basis of the data submitted by the Retirement System office and the actuarial assumptions adopted by the Board of Trustees, and reflects the benefits in effect on the valuation date.

The 1998 Legislative Session produced no Bills passed which would have a prospective affect on funding. However, the Board of Trustees with the concurrence of the Joint Legislative Committee approved a cost-of-living raise, funded from the experience account, for all retirees of record on July 1, 1997 with benefits in effect on July 1, 1998. Notable changes in recent prior legislative sessions include the following Acts: Act 572, which changed the disability benefits formula, and Act 577 established limitation caps for increase in final average compensation. Act 1031 of 1992 established the Experience Account which provides for the pre-funding of retiree COLA's by accumulating excess investment income until the account is sufficient to cover the liability of increased benefits. Act 257 of 1992 re-established amortization schedules such that the current outstanding balance will be reamortized for a period which is the later of the year 2029 or the period established by Act 81 of 1988 with all payments increasing at a rate of 4.5% per year. The Texaco Settlement Fund was established July 1, 1995 to dedicate allocated assets to reduce the initial unfunded actuarial liability established by Act 81. Act 981 eliminates the current twenty year retirement for new members hired after July 1, 1999. New members may elect twenty year actuarially reduced 2 1/2% per year formula. Act 188 recalculates survivor benefits based upon actual service accrued.

The funding objective of the Retirement System was established by Constitutional Amendment Number 3 during the 1987 Legislative Session and requires the following:

- a) fully fund all current normal costs determined in accordance with the prescribed statutory funding method; and
- b) liquidate the unfunded liability as of June 30, 1988 over a forty year period with subsequent changes in unfunded liabilities amortized over period(s) specified by statute.

On the basis of the current valuation, the total contribution rate payable by the employers for the year commencing July 1, 1998 should be set equal to 15.5% of payroll, plus a required legislative appropriation of \$4,639,833.

When compared to the prior year's employer's rate of 16.4%, the current employer's rate of 15.5% reflects a significant reduction to the employer's rate from the prior year. The current contribution rate, plus the required legislative appropriation, when taken together with the contributions payable by the members, is sufficient to achieve the funding objective set forth above.

HALL ACTUARIAL ASSOCIATES

Board of Trustees
TEACHERS' RETIREMENT SYSTEM
October 5, 1998
Page Two

The methodology for determining the actuarial value of assets approved by the Board of Trustees is consistent with the prior plan year. The current method values all assets on a basis which reflects a four-year moving weighted average of the relationship between market value and cost value. The objective of this asset valuation method is to smooth the volatility which might otherwise occur due to market conditions on the measurement date. The actuarial value of assets for the fiscal year ending on June 30, 1998 were in the amount of \$9,851,978,953. The Actuarial Value of Assets, when adjusted for the Experience Account Fund in the amount of \$780,250,300, the side-fund assets for the Louisiana State University Agriculture and Extension Service Supplement of \$(20,055), and the side-fund assets from the Texaco Settlement Fund of \$216,500,024 yields assets for funding purposes of \$8,855,248,684.

In performing the June 30, 1998 valuation, we have relied upon the employee data and financial information provided by the administrative staff of the Teachers' Retirement System of Louisiana. Regarding participant data, each record was edited for reasonableness and consistency, although the validity of the information was not compared to source documents or compared with data for the same participant utilized in prior valuations. Regarding plan assets, a general review for consistency and balance testing with information furnished for the prior year's valuation was performed.

The present values shown in the June 30, 1998 actuarial valuation and supporting schedules of this certification have been prepared in accordance with the actuarial methods specified in Louisiana Revised Statutes Title II Section 22(13) and assumptions which are appropriate for the purposes of this valuation. The funding method prescribed is the Projected Unit Credit Cost Method. The actuarial assumptions and methods used for funding purposes comply and are within the parameters set forth by the Government Accounting Standards Board (GASB) Statement No. 25. The same actuarial assumptions and methods were employed in the development of the Trend Data Schedule, the Schedule of Funding Progress and the Schedule of Employer Contributions which were prepared for the Financial Section of this report. Furthermore, we certify to the best of our knowledge, the methods and assumptions comply with generally recognized and accepted actuarial principals and practices set forth by the American Academy of Actuaries, are reasonable in the aggregate and when applied in combination represents my best estimate of the funding requirement to achieve the Retirement System's Funding Objective.

Respectfully submitted,

Charles G. Hall, FCA,MAAA,ASA
Consulting Actuary

CGH/tt

SUMMARY OF ASSUMPTIONS

The following assumptions were adopted by the Board of Trustees of the Teachers' Retirement System of Louisiana (TRSL) based on the 1981-1986 actuarial experience study with supplemental revision in 1990 and other Board action.

I. General Actuarial Method

Actuarial Funding Method (Projected Unit Credit): The unfunded accrued liability on June 30, 1988 is amortized over a forty-year period commencing in 1989. The amortization payment reflects a 4 percent increase for the first five years, reducing by .5 percent at the end of each quinquennial period. Changes in unfunded accrued liabilities occurring after June 30, 1988 are amortized as a level dollar amount as follows:

	ACT 81	AS AMENDED ACT 257
	<u>Effective 6/30/88</u>	<u>Effective 6/30/92</u>
Experience Gains/(Losses)	15 years	Later of 2029 or 15 years
Actuarial Assumptions	30 years	Later of 2029 or 30 years
Actuarial Methods	30 years	Later of 2029 or 30 years
Benefit Changes	determined by enabling statute	

Employer contribution requirements for normal costs and amortization of the unfunded accrued liabilities are determined as a percentage of payroll. Discrepancy between dollars generated by percentage of payroll versus the required dollar amount are treated as a short-fall credit/(debit) and applied to the following year's contribution requirement.

Asset Valuation Method: Assets are valued on a basis which reflects a four-year moving weighted average value between market value and cost value. Prior to July 1, 1997, fixed income securities were valued at amortized cost.

Valuation Data: The administrative staff of TRSL furnishes the actuary with demographic data relating to the active life membership and retired life members. Retired life members included inactive members who are entitled to a deferred reciprocal or vested benefit. The book value and market value of System assets are provided by the administrative staff of TRSL. All data is reviewed for reasonableness and consistency from year to year, but is not audited by the actuary.

II. Economic Assumptions

Investment Return: 8.25 percent per annum, compounded annually.

Employee Salary Increases: Incorporated in the following salary scales is an explicit 4.5 percent portion attributable to the effects on salaries, based upon years of service:

Regular Teachers - range	5.75% - 8.95%
School Lunch - range	4.75% - 9.35%

	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Duration 1 yr.	8.95%	9.35%	9.35%
5 yr.	7.35%	6.45%	7.25%
10 yr.	7.25%	6.25%	6.25%
15 yr.	5.75%	7.75%	6.75%
20 yr.	5.75%	6.25%	6.25%
25 yr.	5.75%	7.25%	5.75%
30 yr.	6.25%	4.75%	5.75%

The active member population is assumed to remain constant.

III. Decrement Assumptions

Mortality Assumption: Pre-retirement deaths and post-retirement life expectancies are projected in accordance with the experience of the 1983 Sex Distinct Graduated Group Annuity Mortality Table, with female ages set at attained age plus one.

SUMMARY OF ASSUMPTIONS (Continued)

Disability Assumption: Rates of total and permanent disability were projected by age in accordance with the 1981-1986 disability experience of the Retirement System. Rates were projected separately for School Lunch Employees. Mortality after disability are based on the Eleventh Actuarial Valuation of the Railroad Retirement System for permanent disabilities.

	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Age 25	.00%	.02%	.20%
30	.03%	.02%	.20%
35	.10%	.39%	.20%
40	.19%	.64%	.20%
45	.25%	1.34%	.20%
50	.42%	3.02%	1.10%
55	.46%	2.20%	.72%

Termination Assumptions: Voluntary withdrawal rates are derived from the 1981-1986 termination experience study.

	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Duration 1 yr.	9.9%	7.1%	5.7%
5 yr.	7.6%	6.4%	6.7%
10 yr.	3.0%	3.5%	1.8%
15 yr.	1.3%	2.6%	4.0%
20 yr.	0.5%	3.8%	1.8%
25 yr.	0.5%	5.1%	2.9%

Furthermore, for members terminating with ten (10) or more years of service, it is assumed that 80 percent will not withdraw their accumulated employee contributions.

Retirement Assumptions: Retirement rates were projected based upon the 1981-1986 experience study.

	<u>Teachers</u>	<u>School Lunch A</u>	<u>School Lunch B</u>
Age 50	5%	36%	0%
51	8%	17%	0%
52	9%	44%	0%
53	9%	10%	0%
54	17%	20%	0%
55	15%	38%	34%
56	14%	23%	20%
57	16%	27%	24%
58	15%	30%	15%
59	20%	44%	39%
60	14%	36%	21%
61	17%	25%	23%
62	18%	34%	29%
63	20%	21%	25%
64	32%	30%	25%
65	23%	42%	44%
66	23%	27%	33%
67	26%	23%	34%
68	29%	29%	31%
69	52%	50%	56%
70	99%	54%	66%

**ACTUARIAL VALUATION BALANCE SHEET
AS OF JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
ASSETS		
PRESENT ASSETS CREDITABLE TO:		
Members' Savings Account	\$ 1,641,594,853	\$ 1,572,588,833
Annuity Reserve Account	<u>7,430,153,856</u>	<u>6,180,002,291</u>
TOTAL PRESENT ASSETS	<u>9,071,748,709</u>	<u>7,752,591,124</u>
PRESENT VALUE OF PROSPECTIVE CONTRIBUTIONS PAYABLE TO:		
Members' Savings Account	2,000,074,184	1,873,562,521
Annuity Reserve Account		
Normal	1,759,191,245	1,664,345,480
Accrued Liability	<u>4,367,074,148</u>	<u>5,779,407,766</u>
TOTAL PROSPECTIVE CONTRIBUTIONS	<u>8,126,339,577</u>	<u>9,317,315,767</u>
 TOTAL ASSETS	 <u>\$17,198,088,286</u>	 <u>\$17,069,906,891</u>
LIABILITIES		
PRESENT VALUE OF PROSPECTIVE BENEFITS PAYABLE ON ACCOUNT OF:		
Current Retiree Members	\$ 7,138,241,452	\$ 6,329,857,909
Current Active Members	9,979,217,833	10,661,260,854
Deferred Vested & Reciprocal Members	<u>80,629,001</u>	<u>78,788,128</u>
 TOTAL LIABILITIES	 <u>\$17,198,088,286</u>	 <u>\$17,069,906,891</u>

SUMMARY OF UNFUNDED ACTUARIAL LIABILITIES/SALARY TEST
(in millions of dollars)

VALUATION DATE	(1) ACTIVE MEMBER CONTRIBUTION	(2) RETIREEES TERM. VESTED INACTIVE	(3) ACTIVE MEMBERS EMPLOYER FIN. PORTION	ACTUARIAL VALUATION ASSETS	PORTION OF ACTUARIAL ACCRUED LIABILITIES COVERED BY ASSETS		
					(1)	(2)	(3)
1988	\$1,019.2	\$2,873.5	\$3,192.6	\$2,979.0	100%	68%	0%
1989	1,079.9	3,174.7	3,296.0	3,208.9	100%	67%	0%
1990	1,178.4	3,194.2	3,435.2	3,657.1	100%	78%	0%
1991	1,265.2	3,371.5	3,818.9	4,079.7	100%	83%	0%
1992	1,363.3	3,716.2	3,966.4	4,576.5	100%	95%	0%
1993	1,424.0	4,158.5	3,484.4	5,129.5	100%	89%	0%
1994	1,481.7	4,552.1	3,428.6	5,699.6	100%	93%	0%
1995	1,489.5	5,119.8	3,496.0	6,275.3	100%	93%	0%
1996	1,495.4	5,917.2	3,820.2	7,056.6	100%	94%	0%
1997	1,572.6	6,408.6	4,095.4	7,752.6	100%	97%	0%
1998	1,641.6	7,218.8	4,324.6	8,855.2	100%	100%	0%

SUMMARY OF ACTUARIAL AND UNFUNDED ACTUARIAL LIABILITIES
(in millions of dollars)

DATE	ACTUARIAL ACCRUED LIABILITIES	ACTUARIAL VALUATION ASSETS	RATIO OF ASSETS TO AAL	UNFUNDED AAL	ACTIVE MEMBER PAYROLL	UNFUNDED AAL AS A % OF ACTIVE PAYROLL
1988	\$ 7,085.4	\$2,979.0	42.0	\$4,106.4	\$1,778.3	230.9%
1989	7,550.6	3,208.9	42.5	4,341.6	1,896.2	229.0%
1990	7,808.0	3,657.1	46.8	4,150.9	2,041.1	203.4%
1991	8,455.6	4,079.7	48.2	4,375.9	2,133.1	205.1%
1992	9,046.0	4,576.6	50.6	4,469.4	2,181.7	204.9%
1993	9,522.4	5,129.5	53.9	4,392.9	2,176.4	201.8%
1994	9,928.5	5,699.6	57.4	4,228.8	2,198.3	192.4%
1995	10,570.3	6,275.3	59.4	4,294.9	2,199.1	195.3%
1996	11,232.8	7,056.6	62.8	4,176.1	2,254.3	185.3%
1997	12,077.6	7,752.6	64.2	4,325.1	2,337.5	185.0%
1998	13,185.2	9,071.7	68.8	4,113.4	2,485.1	165.5%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITIES
(Dollar Amounts in Thousands)

	FISCAL YEAR ENDING			
	1998	1997	1996	1995
Unfunded Actuarial Liability at beginning of Fiscal Year (7/1)	\$4,504,307	\$4,336,502	\$4,405,746	\$4,228,829
Interest on Unfunded Liability	371,605	357,761	363,474	348,878
Investment Experience (gains) decreases UAL	(946,543)	(314,183)	(542,995)	146,881
Plan Experience (gains) decreases UAL	200,918	231,278	83,860	(82,471)
Employer Amortization Payments (payments) decreases UAL	(265,575)	(253,783)	(251,883)	(243,204)
Employer Contribution Variance (excess contributions) decreases UAL	(8,041)	2,036	6,802	(3,280)
Experience Account Allocation (allocations) decreases UAL	473,271	157,092	271,497	(73,440)
Other - miscellaneous gains and losses from transfers or Acts of the Legislature	<u>0</u>	<u>(12,395)</u>	<u>0</u>	<u>83,553</u>
Unfunded Actuarial Liability at end of Fiscal Year (6/30)	<u>\$4,329,942</u>	<u>\$4,504,308</u>	<u>\$4,336,501</u>	<u>\$4,405,746</u>

AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
JUNE 30, 1998

DATE 6/30	DESCRIPTION	AMORTIZATION METHOD	AMORTIZATION PERIOD	INITIAL LIABILITY	YEARS REMAIN	REMAINING BALANCE	MID-YEAR PAYMENT	
1)	1988	Initial Liability	I	40	4,169,250,465	31	\$5,672,102,900	\$302,890,903 *
2)	1989	Change in Liability	I	36	(448,562,259)	31	(516,865,701)	(28,023,485)
3)	1990	Change in Liability	I	36	60,046,089	31	69,189,423	3,751,320
4)	1991	Change in Liability	I	36	75,108,168	31	86,545,034	4,692,309
5)	1992	Legislative COLA	L	10	89,405,092	5	53,447,635	12,950,983
6)	1992	Change in Liability	I	36	(109,479,805)	31	(126,150,506)	(6,839,643)
7)	1993	Change in Liability	I	36	(210,900,586)	31	(243,014,826)	(13,175,806)
8)	1994	Change in Liability	I	35	(222,094,335)	31	(248,377,137)	(13,466,541)
9)	1995	Change in Liability	I	34	(9,030,124)	31	(9,808,439)	(531,795)
10)	1996	Change in Liability	I	33	(187,637,521)	31	(198,103,375)	(10,740,792)
11)	1997	Change in Liability	I	32	61,791,993	31	63,463,974	3,440,897
12)	1998	Change in Liability	I	31	(272,354,123)	31	(272,354,123)	(14,776,528)
TOTAL OUTSTANDING BALANCE						<u>4,330,074,859</u>	<u>\$240,171,822</u>	
EMPLOYER'S CREDIT BALANCE								
	1994	Contribution Variance	L	5	14,117,405	1	3,287,874	\$ 3,420,811
	1995	Contribution Variance	L	5	(3,279,842)	2	(1,469,503)	(794,744)
	1996	Contribution Variance	L	5	6,802,212	3	4,399,599	1,648,255
	1997	Contribution Variance	L	5	2,035,880	4	1,690,577	493,317
	1998	Contribution Variance	L	5	(8,041,266)	5	(8,041,266)	(1,948,492)
TOTAL EMPLOYER'S CREDIT BALANCE						<u>(132,719)</u>	<u>\$ 2,819,147</u>	
TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY						<u>\$4,329,942,140</u>		

*NOTE: LSU appropriation equals 1.508738 percent of the Initial Liability mid-year payment.
Effective July 1, 1992, Amortization Periods changed in accordance with Act 257.

MEMBERSHIP DATA

Data regarding the membership of TRSL for valuation were furnished by TRSL.

<u>Active Members</u>	<u>1998</u>		<u>1997</u>	
	<u>Census</u>	<u>Average Salaries</u>	<u>Census</u>	<u>Average Salaries</u>
Regular Teachers	76,411	\$27,942	75,410	\$26,635
University Members	5,450	47,637	5,629	46,844
School Lunch A	1,622	14,993	1,838	14,123
School Lunch B	2,289	12,257	2,292	11,727
Post DROP	<u>1,421</u>	<u>41,131</u>	<u>1,232</u>	<u>40,640</u>
TOTAL	<u>87,193</u>	\$28,695	<u>86,401</u>	\$27,097
Males (%)		18.1%		18.2%
Females (%)		81.9%		81.8%

Valuations' salaries were \$2,485,058,085 for 1998 and \$2,337,573,691 for 1997.

<u>Inactive Members</u>	<u>1998</u>		<u>1997</u>	
	<u>Census</u>	<u>Census</u>	<u>Census</u>	<u>Census</u>
Due Refunds	6,963		7,039	
Vested & Reciprocals	495		487	

<u>Annuitants and Survivors</u>	<u>1998</u>		<u>1997</u>	
	<u>Census</u>	<u>Average Annual Annuities</u>	<u>Census</u>	<u>Average Annual Annuities</u>
Retirees	35,674	\$16,304	34,621	\$15,235
Disabilities	3,273	9,276	3,196	8,789
Survivors	3,436	11,643	3,150	10,620
DROP	<u>3,195</u>	<u>23,929</u>	<u>2,726</u>	<u>24,316</u>
TOTAL	<u>45,578</u>	\$15,982	<u>43,693</u>	\$14,996

HISTORICAL MEMBERSHIP DATA

History of Active Membership Data For Last 10 Years

<u>YEAR ENDED 6/30</u>	<u>NUMBER OF ACTIVE MEMBERS</u>	<u>PERCENTAGE CHANGE IN MEMBERSHIP</u>	<u>ANNUAL ACTIVE MEMBER PAYROLL (Thousands)</u>	<u>PERCENTAGE CHANGE IN PAYROLL</u>
1989	85,965	0.66%	1,896,167	6.6%
1990	87,362	2.33%	2,041,067	7.6%
1991	87,493	0.15%	2,133,107	4.5%
1992	86,244	(0.01%)	2,181,712	2.3%
1993	85,143	(1.27%)	2,176,372	(0.2%)
1994	86,079	1.10%	2,198,302	1.0%
1995	84,671	(1.64%)	2,199,137	0.0%
1996	85,523	0.48%	2,254,304	2.5%
1997	86,401	1.83%	2,337,574	3.7%
1998	87,193	.92%	2,485,058	1.1%

History of Annuitants and Survivor Annuitant Membership For Last 10 Years

<u>YEAR ENDED 6/30</u>	<u>NUMBER OF ANNUITANTS</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>PERCENTAGE CHANGE IN MEMBERSHIP</u>	<u>ANNUAL ANNUITIES (Thousands)</u>	<u>PERCENTAGE CHANGE IN ANNUITIES</u>
1989	30,572	2,592	995	5.51%	350,770	7.86%
1990	31,713	2,191	1,050	3.73%	367,208	4.69%
1991	32,857	2,210	1,066	3.59%	388,990	5.93%
1992	34,276	2,523	1,104	4.33%	429,109	10.31%
1993	35,357	2,281	1,200	3.15%	448,675	4.56%
1994	36,441	2,266	1,182	3.07%	467,689	4.24%
1995	37,952	2,778	1,267	4.14%	530,856	13.50%
1996	39,302	2,678	1,328	3.56%	559,883	5.50%
1997	40,676	2,925	1,551	3.50%	588,928	5.20%
1998	42,445	3,404	1,635	4.35%	651,822	10.70%

PRINCIPLE PROVISIONS OF THE PLAN

The Teachers' Retirement System of Louisiana (TRSL) was enacted by Act No. 83 in 1936. Initially, the plan covered classroom teachers (Regular Plan), but membership has expanded to participating agencies, and the merger of School Lunch Employees. Employees of school food services that have not terminated their agreement with the Department of Health, Education and Welfare participate in (PLAN A). Food service programs of school without agreements enroll employees in (PLAN B).

The purpose of the plan is to provide benefits to members and their dependents at retirement or in the event of death, disability or termination of employment. TRSL is a defined benefit plan and is funded on an actuarial reserve basis to fund benefits as prescribed by law.

Administration

The plan is governed by Title 11 Sections 700-999 of the Louisiana Revised Statutes. The Board of Trustees is composed of seventeen members; one elected member from each of the nine congressional districts, one elected member from colleges and universities, one elected member from parish and city superintendents of schools, two elected retired members, and four ex officio members. Elected members serve staggered four terms. The State of Louisiana Treasurer, Chairman of the House Retirement Committee, Chairman of the Senate Retirement Committee and State Superintendent of Public Education serve as ex officio members.

The Board of Trustees appoints an Executive Director who is responsible for the operation of the system. The Board also retains other consultants as deemed necessary. Administrative expenses are paid entirely from investment earnings.

Member Contributions

Members contribute a percentage of their gross compensation, depending on plan participation:

<u>REGULAR PLAN</u>	<u>PLAN A</u>	<u>PLAN B</u>
8%	9.1%	5%

Member contributions have been tax-deferred for federal income tax purposes since January 1, 1990. Therefore, contributions after the effective date are not considered as income for federal income tax purposes until withdrawn through refund or through payment of benefits.

Employer Contributions

All participating employers, regardless of plan participation, contribute a percentage of their total gross payroll to the system. The employer percentage is actuarially determined and is sufficient to pay annual accruals plus an amortization charge which liquidates the system's unfunded liability as required by law. The rate is determined annually and recommended by the Public Employees' Retirement System's Actuarial Committee to the State Legislature.

Termination

A member who terminates covered employment, regardless of plan membership, may request a refund of the member's contributions without interest. Upon re-employment, a member may reinstate the credit forfeited through termination of previous membership by repaying the refunded contributions plus interest. A member who terminates covered employment with 10 years of service may, in lieu of a refund of contributions, elect to receive a monthly annuity upon attainment of age 60.

Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and met both age and service eligibility requirements.

Normal Retirement

Regular Plan - A member may retire with a 2.5 percent annual accrual rate at age 55 with 25 years of service, age 65 with 20 years of service or at any age with 30 years of service. Members may retire with a 2 percent annual accrual rate at age 60 with 10 years of service or at any age with 20 years of service.

Note: Members hired after June 30, 1999 may retire with a 2.5 percent annual accrual rate at age 60 with 10 years of service or at any age with 20 years of service actuarially reduced.

Plan A - A member may retire with a 3.0 percent annual accrual rate at age 55 with 25 years of service, age 60 with 10 years of service or 30 years of service, regardless of age.

PRINCIPLE PROVISIONS OF THE PLAN (Continued)

Plan B - A member may retire with a 2.0 percent annual accrual rate at age 55 with 30 years of service, or age 60 with 10 years of service. Benefits are reduced by 3 percent for each year under age 62 at retirement unless the member has 25 years of creditable service.

Benefit Formula

For all plans, retirement benefits are based on a formula which multiplies the final average compensation by the applicable accrual rate, and by the years of creditable service. Final average compensation is obtained by dividing total compensation for the highest successive thirty-six month period.

Payment Options

A retiring member is entitled to receive the maximum benefit payable until the member's death. In lieu of the maximum benefit, the member may elect to receive a reduced benefit payable in the form of a Joint and Survivor Option, or a reduced benefit with a lump sum payment which cannot exceed 36 monthly benefit payments.

Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a service retirement, an eligible member may begin participation on the first retirement eligibility date for a period not to exceed the 3rd anniversary of retirement eligibility. Delayed participation reduces the three year participation period. During participation, benefits otherwise payable are fixed, and deposited in an individual DROP account.

Upon termination of DROP, the member may continue employment and earn additional accruals to be added to the fixed pre-DROP benefit.

Upon termination of employment, the member is entitled to the fixed benefit plus post-DROP accruals, plus the individual DROP account balance which can be paid in a lump sum, or an additional annuity based upon the account balance.

Disability Retirement Benefits

Active members with five or more years of service credit are eligible for disability retirement benefits if certified by the medical board to be disabled from performing their job.

Regular Plan - An eligible member shall be entitled to a pension equal to 2-1/2 percent of average compensation; however, in no event shall the disability benefit be less than the lesser of (a) 40 percent of the state minimum salary for a beginning teacher with a bachelor's degree, or (b) 75 percent of average compensation.

Plan A - An eligible member shall be entitled to a service retirement benefit, but not less than 60 percent, nor more than 100 percent of final average compensation.

Plan B - An eligible member shall be entitled to a service retirement benefit, but not less than 30 percent, nor more than 75 percent of final average compensation.

Survivor Benefits

A surviving spouse with minor children of an active member with 5 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) \$300 per month, or (b) 50 percent of the member's benefit calculated at the 2-1/2 percent accrual rate for all creditable service.

Each minor child (maximum of 2) shall receive an amount equal to 50 percent of the spouse's benefit. Benefits to minors cease at attainment of age 18, marriage or age 23 if enrolled in an approved institution of higher education.

A surviving spouse without minor children of an active member with 10 years of creditable service (2 years immediately prior to death) or 20 years of creditable service is entitled to a benefit equal to the greater of (a) \$300 per month, or (b) 50 percent of the member's benefit calculated at the 2-1/2 percent accrual rate for all creditable service.

Post-Retirement Increases

Cost-of-living adjustments (COLA's) are permitted provided there are sufficient funds in the Experience Account to fund the increase in the retiree reserves. The Experience Account is credited with 50 percent of the excess investment income over the actuarial valuation rate and is debited 50 percent of the deficit investment income and distributions for COLA's approved by the Board of Trustees as provided by law.

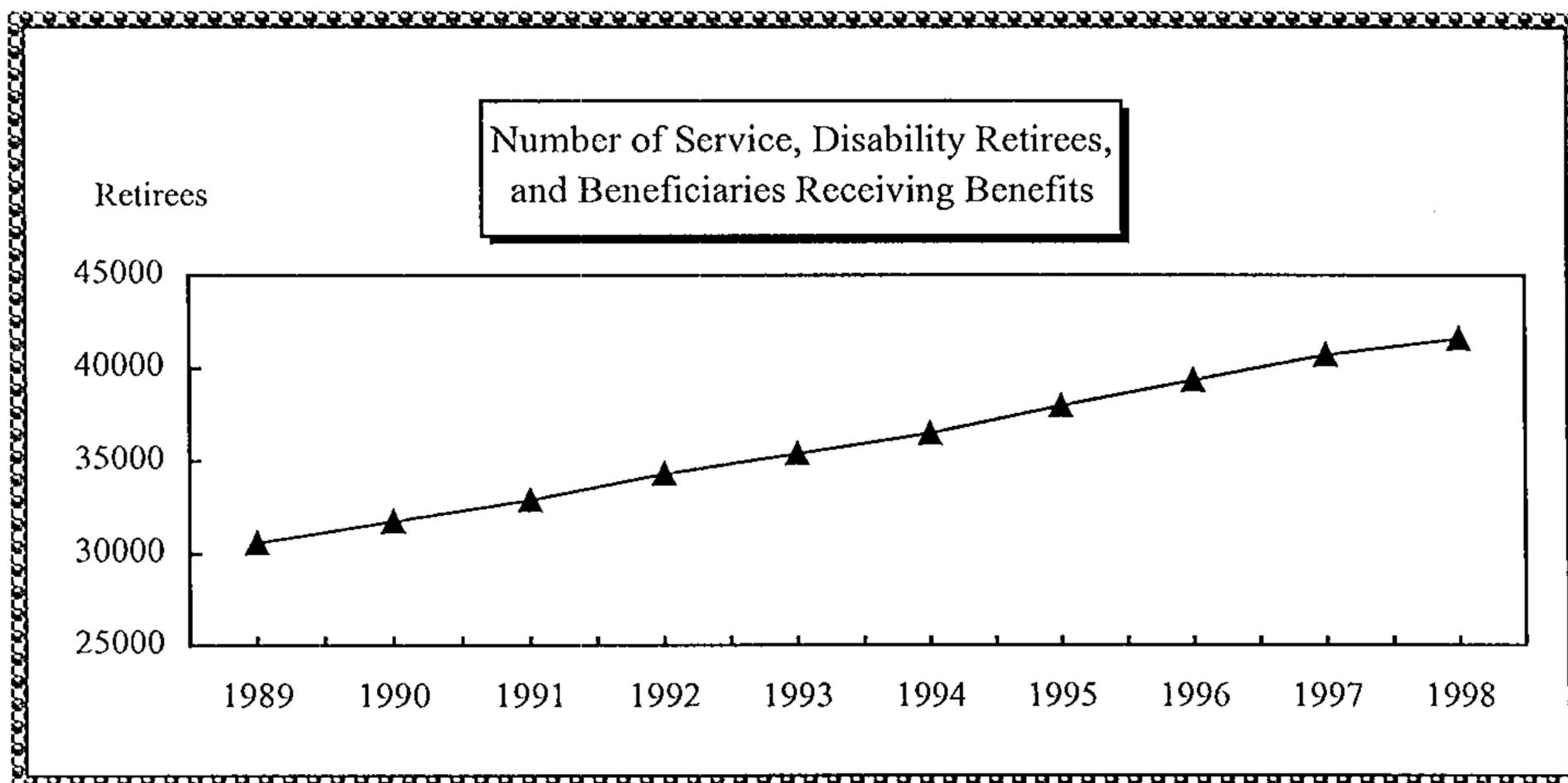
STATISTICAL SECTION

- Ten Year Information on Selected Data
- Schedule of Participating Employers
- Maps:
 - State of Louisiana/Total Active Members
 - Location of TRSL Retirees Worldwide

TEN-YEAR INFORMATION ON SELECTED DATA

NUMBER OF SERVICE RETIREES, DISABILITY RETIREES, AND BENEFICIARIES RECEIVING BENEFITS

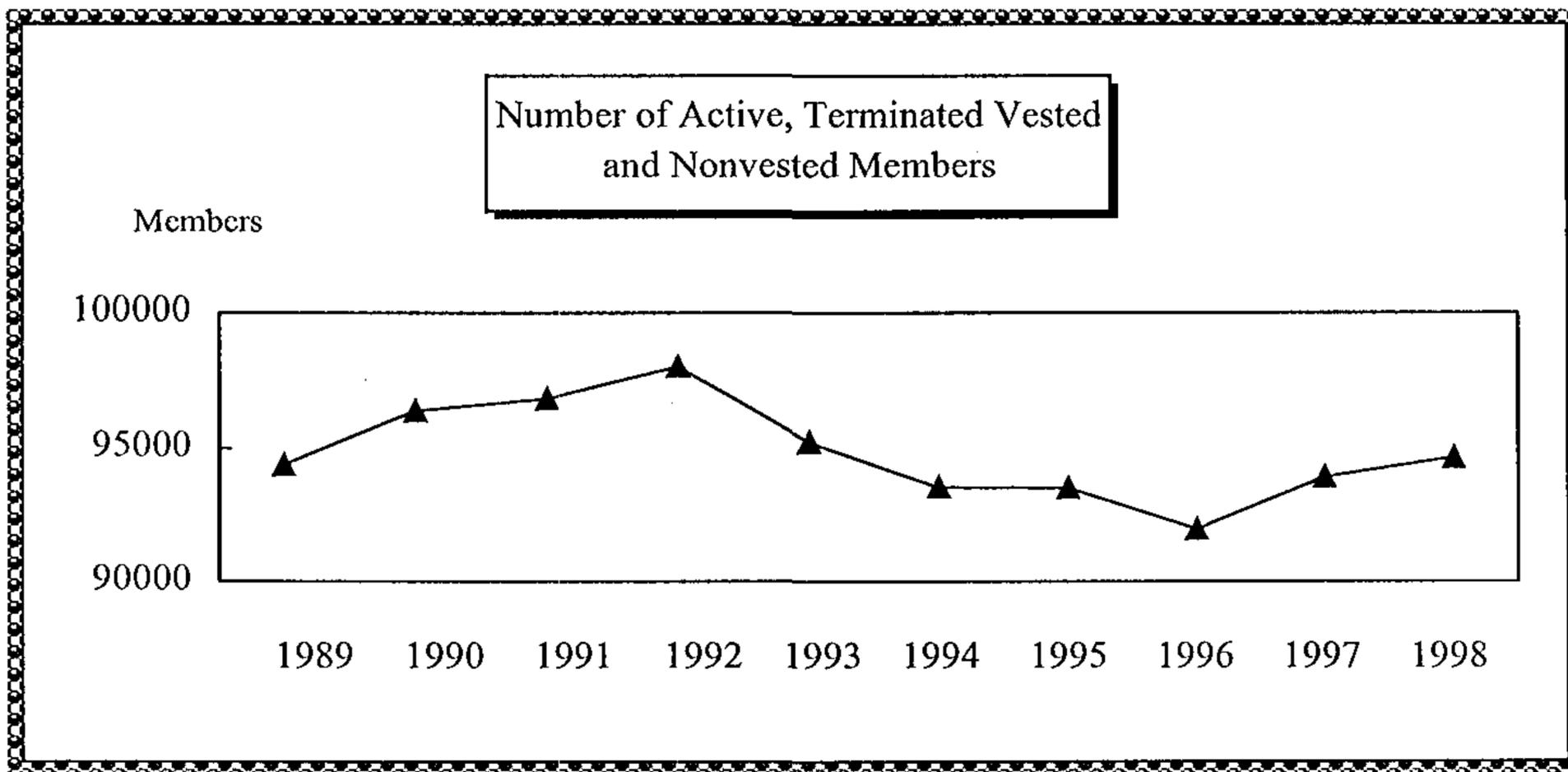
<u>Fiscal Year</u>	<u>Retirees</u>	<u>% Increase Each Year</u>
1989-1990	31,713	
1990-1991	32,857	3.6%
1991-1992	34,276	4.3%
1992-1993	35,357	3.2%
1993-1994	36,441	3.1%
1994-1995	37,952	4.1%
1995-1996	39,302	3.6%
1996-1997	40,676	3.5%
1997-1998	42,445	4.3%



TEN-YEAR INFORMATION ON SELECTED DATA

NUMBER OF ACTIVE, TERMINATED VESTED AND NONVESTED MEMBERS

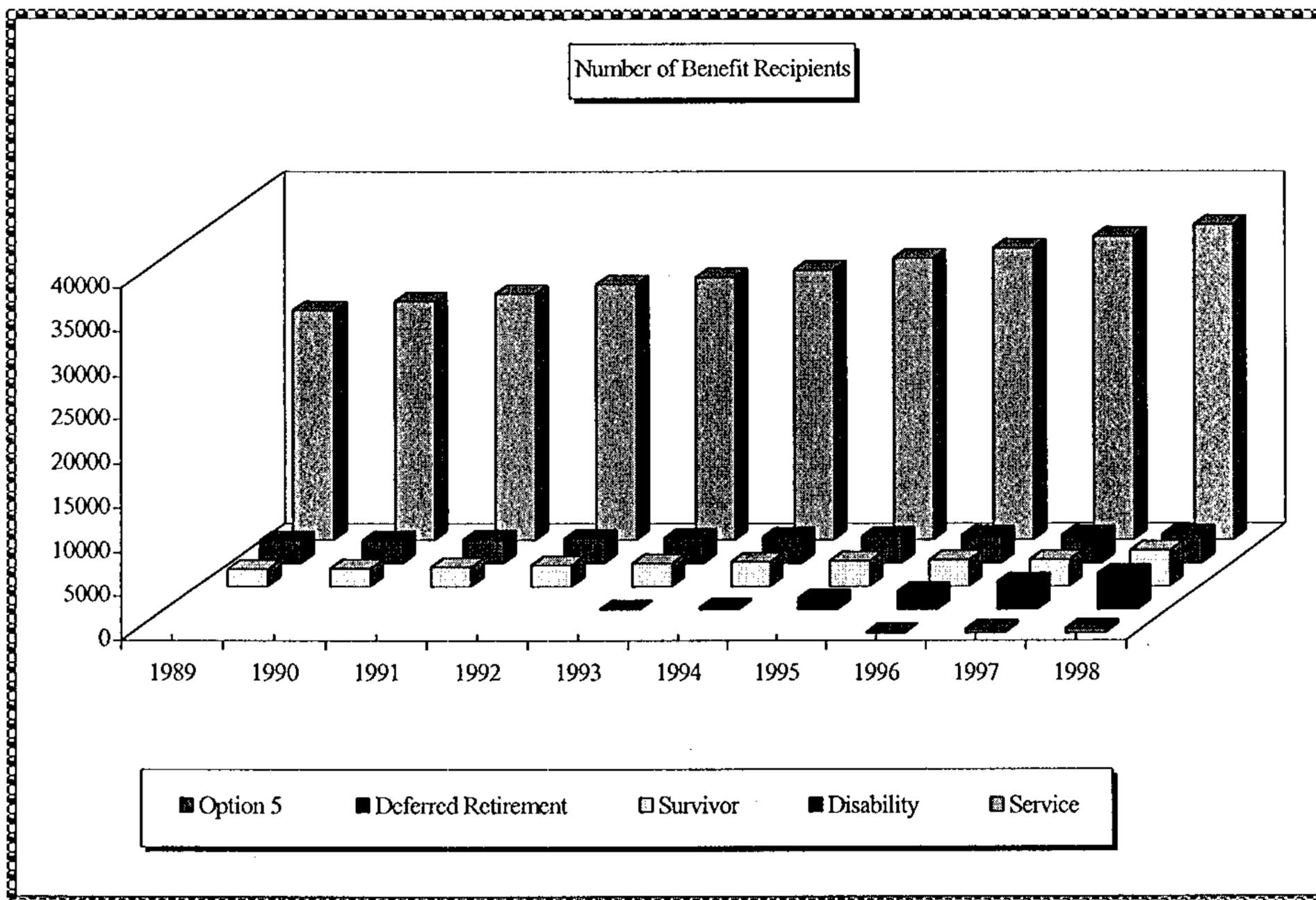
<u>Fiscal Year</u>	<u>Members</u>	<u>% Increase Each Year</u>
1988-1989	94,369	
1989-1990	96,364	2.1%
1990-1991	96,826	0.5%
1991-1992	98,030	1.2%
1992-1993	95,214	(2.9%)
1993-1994	93,555	(1.7%)
1994-1995	93,521	0.0%
1995-1996	91,970	(1.7%)
1996-1997	93,927	2.1%
1997-1998	94,651	0.8%



TEN-YEAR INFORMATION ON SELECTED DATA

NUMBER OF BENEFIT RECIPIENTS

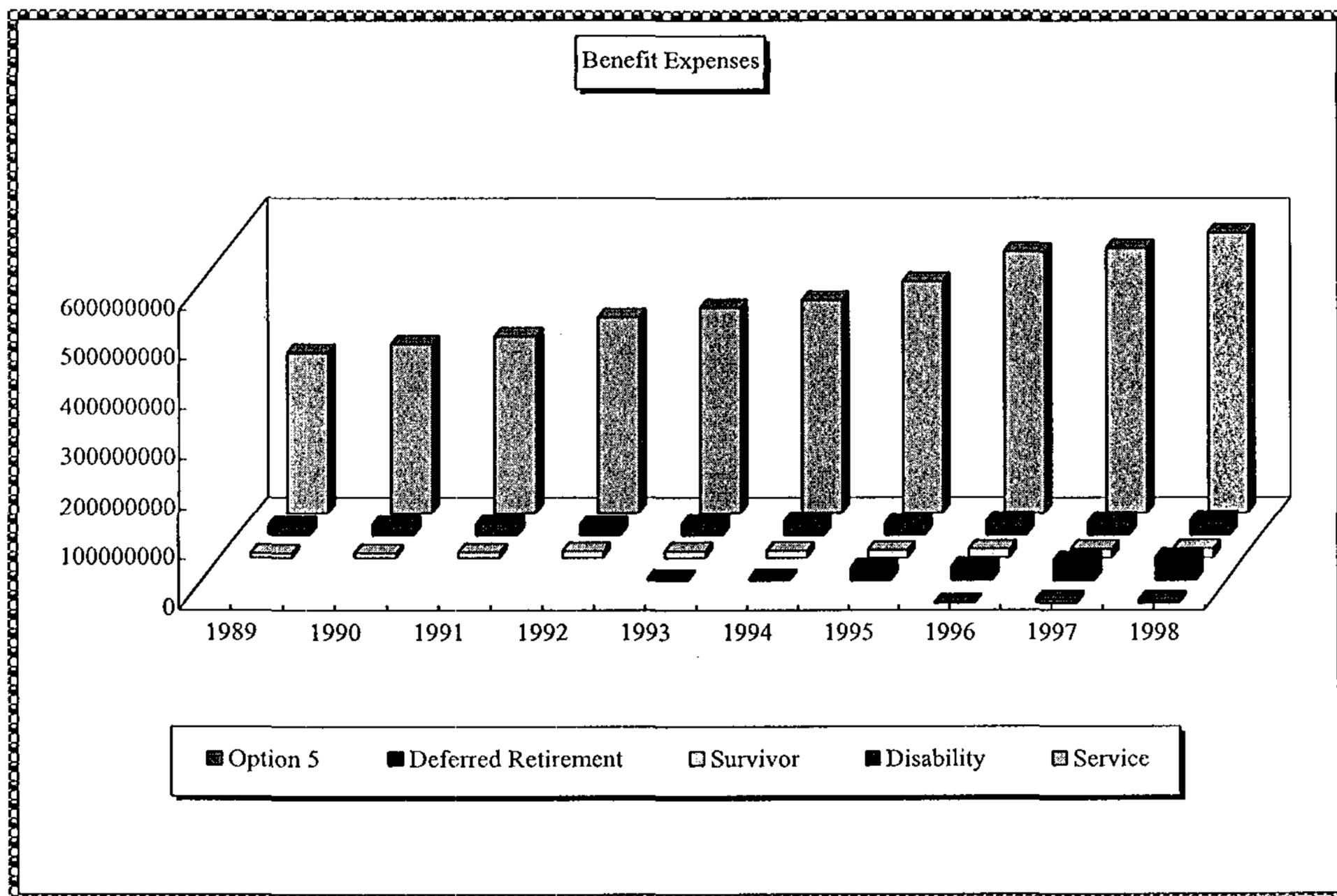
Fiscal Year	Service	Disability	Survivor	Deferred Retirement	Option 5	Total
1988-1989	25,974	2,581	2,017	0	0	30,572
1989-1990	26,995	2,629	2,089	0	0	31,713
1990-1991	27,888	2,705	2,264	0	0	32,857
1991-1992	28,961	2,809	2,506	0	0	34,276
1992-1993	29,767	2,898	2,692	43	0	35,400
1993-1994	30,597	2,990	2,854	265	0	36,706
1994-1995	31,942	3,050	2,960	1,260	0	39,212
1995-1996	33,077	3,160	3,065	2,116	22	41,440
1996-1997	34,412	3,173	3,091	3,178	412	44,266
1997-1998	35,866	3,311	3,268	3,698	461	46,604



TEN-YEAR INFORMATION ON SELECTED DATA

BENEFIT EXPENSES

<u>Fiscal Year</u>	<u>Service</u>	<u>Disability</u>	<u>Survivor</u>	<u>Deferred Retirement</u>	<u>Option 5</u>	<u>Total</u>
1988-1989	\$320,233,515	\$20,998,919	\$ 8,749,550	\$ 0	\$ 0	\$349,981,984
1989-1990	337,690,168	22,143,618	9,226,507	0	0	369,060,293
1990-1991	354,088,608	23,300,413	10,951,194	0	0	388,340,215
1991-1992	392,395,149	21,325,823	12,795,494	0	0	426,516,466
1992-1993	412,059,676	24,741,575	13,045,557	377,970	0	450,224,778
1993-1994	427,367,318	28,178,065	14,089,032	3,940,030	0	473,574,445
1994-1995	465,239,170	25,284,738	15,170,843	25,092,013	0	530,786,764
1995-1996	524,065,924	28,481,844	17,089,106	27,663,913	540,204	597,840,991
1996-1997	531,639,544	28,893,453	17,336,072	39,260,488	7,607,232	624,736,789
1997-1998	562,679,269	30,580,395	18,348,237	46,266,624	6,272,739	664,147,264



TEN-YEAR INFORMATION ON SELECTED DATA

AVERAGE MONTHLY PENSION BENEFIT

<u>Fiscal Year</u>	<u>Average Monthly Benefit</u>	<u>% Increase Each Year</u>
1988-1989	\$ 954	
1989-1990	964	1.0%
1990-1991	981	1.8%
1991-1992	1,037	5.7%
1992-1993	1,060	2.2%
1993-1994	1,074	1.3%
1994-1995	1,110	3.4%
1995-1996	1,208	8.8%
1996-1997	1,184	(2.0%)
1997-1998	1,201	1.4%

NUMBER OF REFUNDS OF CONTRIBUTIONS

<u>Fiscal Year</u>	<u>Number of Refunds</u>	<u>% Increase Each Year</u>
1988-1989	4,926	
1989-1990	4,644	(5.7%)
1990-1991	4,219	(9.2%)
1991-1992	5,047	19.6%
1992-1993	3,848	(23.8%)
1993-1994	3,590	(6.7%)
1994-1995	4,176	16.3%
1995-1996	4,160	(0.4%)
1996-1997	5,540	33.2%
1997-1998	4,534	(18.2%)

NUMBER OF STAFF POSITIONS

<u>Fiscal Year</u>	<u>Staff</u>	<u>% Increase Each Year</u>
1988-1989	76	
1989-1990	78	2.6%
1990-1991	84	7.7%
1991-1992	91	8.3%
1992-1993	98	7.7%
1993-1994	102	4.1%
1994-1995	102	0.0%
1995-1996	106	3.9%
1996-1997	116	9.4%
1997-1998	116	0.0%

TEN-YEAR INFORMATION ON SELECTED DATA

REVENUES BY SOURCE

Fiscal Year	Member Contributions	Employer Contributions	ORP Contributions Retained	Statutory Dedication of Mineral Revenue			Investment Income	Other Operating Revenues	Total
				Audit and Settlement Receipts	Casino Gaming Proceeds	Other Operating Revenues			
1988-1989	\$133,105,208	\$198,458,918	0	0	0	\$ 266,136,424	\$914,847	\$ 598,615,397	
1989-1990	162,676,467	349,367,280	0	0	0	344,664,351	298,539	857,006,637	
1990-1991	171,535,641	295,749,998	6,941,265	0	0	330,703,542	371,861	805,302,307	
1991-1992	172,460,103	384,814,216	13,678,861	0	0	451,844,820	173,687	1,022,971,687	
1992-1993	174,513,027	359,198,776	15,148,005	0	0	647,208,769	176,335	1,196,244,912	
1993-1994	174,424,707	352,371,358	16,474,847	77,185,060	0	453,217,659	183,937	1,073,857,568	
1994-1995 *	177,820,544	356,662,854	18,674,063	29,175,481	19,322,208	978,267,383	317,905	1,580,240,438	
1995-1996	182,144,749	372,728,942	21,197,751	29,175,475	0	1,043,283,403	965,697	1,649,496,017	
1996-1997	191,704,402	387,153,226	24,551,761	0	0	1,332,544,481	924,648	1,936,878,518	
1997-1998	208,275,106	422,452,766	27,318,857	0	0	1,706,567,372	741,679	2,365,355,780	

EXPENSES BY TYPE

Fiscal Year	Benefits	Refunds	Administrative Expenses	Investment Expenses	Depreciation Expense	Other Operating Expenses	Total
1989-1990	369,060,293	20,704,676	6,330,728	17,472,171	261,060	4,709	413,833,637
1990-1991	388,340,215	36,092,214	3,529,049	29,557,647	259,675	0	457,778,800
1991-1992	426,516,466	17,376,309	3,959,386	35,388,744	280,844	1,630	483,523,379
1992-1993	450,224,778	17,840,648	4,254,795	42,982,315	322,968	1,307	515,626,811
1993-1994	473,574,445	16,176,563	4,586,676	38,036,241	376,476	270,613	533,021,014
1994-1995 *	530,786,764	18,708,082	4,859,492	59,917,733	374,890	0	614,646,961
1995-1996	597,840,991	18,536,343	5,208,861	72,648,935	391,098	0	694,626,228
1996-1997	624,736,789	20,869,261	5,565,516	88,252,617	418,534	0	739,842,717
1997-1998	664,147,264	21,360,841	6,173,891	99,825,883	531,364	0	792,039,243

*NOTE: Prior to the adoption of GASB Statement No. 25, the Revenues By Source and Expenses By Type were prepared under the criteria of NCGA Statement 6 and GASB Statement No. 5.

SCHEDULE OF PARTICIPATING EMPLOYERS

SCHOOL BOARDS -

Acadia Parish School Board
 Allen Parish School Board
 Ascension Parish School Board
 Assumption Parish School Board
 Avoyelles Parish School Board
 Beauregard Parish School Board
 Bienville Parish School Board
 Bossier Parish School Board
 Caddo Parish School Board
 Calcasieu Parish School Board
 Caldwell Parish School Board
 Cameron Parish School Board
 Catahoula Parish School Board
 Claiborne Parish School Board
 Concordia Parish School Board
 DeSoto Parish School Board
 East Baton Rouge Parish School Board
 East Carroll Parish School Board
 East Feliciana Parish School Board
 Evangeline Parish School Board
 Franklin Parish School Board
 Grant Parish School Board
 Iberia Parish School Board
 Iberville Parish School Board
 Jackson Parish School Board
 Jefferson Parish School Board
 Jefferson Davis Parish School Board
 Lafayette Parish School Board
 Lafourche Parish School Board
 LaSalle Parish School Board
 Lincoln Parish School Board
 Livingston Parish School Board
 Madison Parish School Board
 Morehouse Parish School Board
 Natchitoches Parish School Board
 Orleans Parish School Board
 Ouachita Parish School Board
 Plaquemines Parish School Board
 Pointe Coupee Parish School Board
 Rapides Parish School Board
 Red River Parish School Board
 Richland Parish School Board
 Sabine Parish School Board
 Saint Bernard Parish School Board
 Saint Charles Parish School Board
 Saint Helena Parish School Board
 Saint James Parish School Board
 Saint John the Baptist Parish School Board
 Saint Landry Parish School Board
 Saint Martin Parish School Board
 Saint Mary Parish School Board
 Saint Tammany Parish School Board
 Tangipahoa Parish School Board
 Tensas Parish School Board
 Terrebonne Parish School Board
 Union Parish School Board
 Vermilion Parish School Board
 Vernon Parish School Board
 Washington Parish School Board
 Webster Parish School Board

SCHOOL BOARDS (Continued)

West Baton Rouge Parish School Board
 West Carroll Parish School Board
 West Feliciana Parish School Board
 Winn Parish School Board
 Bogalusa City Schools
 Monroe City Schools
 Saint Landry Charter School

COLLEGES AND UNIVERSITIES -

Louisiana Tech University
 Northwestern State University of Louisiana
 Louisiana State University-Baton Rouge
 University of New Orleans
 Louisiana State University Medical Center-New Orleans
 Nicholls State University
 Southeastern Louisiana University
 University of Southwestern Louisiana
 Grambling State University
 Southern University and A&M College-Baton Rouge
 Southern University and A&M College-New Orleans
 Southern University Shreveport-Bossier City
 Delgado Community College
 McNeese State University
 Northeast Louisiana University
 Louisiana State University-Shreveport
 Louisiana State University Medical Center-Shreveport
 Elaine P. Nunez Community College
 Bossier Parish Community College

VOCATIONAL TECHNICAL SCHOOLS -

Huey P. Long Technical College
 T. H. Harris Technical College
 Natchitoches Technical College, Region 7
 Shreveport-Bossier Regional Technical College
 Acadian Technical College
 Sowela Regional Technical College
 Sullivan Technical College
 Jefferson Technical College
 South Louisiana Regional Technical College
 Jefferson Davis Technical College
 Baton Rouge Regional Technical College
 Delta-Ouachita Regional Technical College
 Alexandria Regional Technical College
 Teche Area Technical College
 Northwest Louisiana Technical College
 Sabine Valley Technical College
 Florida Parishes Technical College
 North Central Technical College
 Gulf Area Technical College
 Sidney N. Collier Technical College
 Young Memorial Technical College
 Hammond Area Technical College
 Evangeline Technical College
 Westside Technical College
 Northeast Louisiana Technical College
 Avoyelles Technical College
 Slidell Technical College
 West Jefferson Technical College
 Charles B. Coreil Technical College
 Tallulah Technical College
 Jumonville Technical College

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

VOCATIONAL TECHNICAL SCHOOLS (Continued) -

Folkes Technical College
 River Parishes Technical College
 Ruston Technical College, Region 7
 Oakdale Technical College
 Bastrop Technical College
 Mansfield Technical College
 Lamar Salter Technical College
 Ascension Technical College
 Lafayette Regional Technical College
 Claiborne Technical College
 New Orleans Regional Technical College
 Regional Management Center 6-Alexandria
 Shelby M. Jackson Memorial Technical College
 Regional Management Center 2-Baton Rouge
 Regional Management Center 8-Monroe
 Regional Management Center 7-Shreveport
 Regional Management Center 1-New Orleans
 Regional Management Center 3-Houma
 Lafourche Technical College, North Campus
 Region 4 System Office - Lafayette
 Region 5 System Office - Lake Charles

STATE AGENCIES -

Louisiana Department of Education
 Louisiana School for the Visually Impaired
 Louisiana School for the Deaf
 Teachers' Retirement System of Louisiana
 Louisiana School Employees' Retirement System
 Louisiana State Employees' Retirement System
 Louisiana Department of Social Services
 Hammond Developmental Center
 Southwest Louisiana Developmental Center
 Pinecrest Developmental Center
 Ruston Developmental Center
 Louisiana Department of Agriculture and Forestry
 Louisiana Division of Administration
 Louisiana State Senate
 Louisiana House of Representatives
 Louisiana Department of Wildlife and Fisheries
 Louisiana Department of Health and Hospitals
 Medical Center of Louisiana-New Orleans
 Louisiana Department of Justice
 University Medical Center-Lafayette
 Louisiana Department of Insurance
 Louisiana Department of Military
 Louisiana State Law Institute
 Department of Veterans Affairs
 Office of the Legislative Auditor
 Office of the Lieutenant Governor
 Washington-Saint Tammany Regional Medical Center
 Louisiana Department of Labor
 Treasury Department
 Louisiana Department of Public Safety
 Louisiana Department of Corrections
 University of Louisiana System
 Louisiana Department of Culture, Recreation and Tourism
 Louisiana Department of Economic Development
 Louisiana Department of Environmental Quality
 Louisiana Department of Natural Resources
 Louisiana Department of Revenue and Taxation
 Louisiana Department of Transportation and Development

STATE AGENCIES (Continued)-

Civil Service/Division of Administrative Law
 Louisiana State University Agriculture Center

OTHER -

Louisiana Association of Educators
 Louisiana Special Education Center
 Louisiana School for Math, Science, and Arts
 Louisiana High School Athletic Association
 Saint Tammany Federation of Teachers
 Louisiana State Board of Elementary and Secondary
 Education
 United Teachers of New Orleans
 Louisiana Technical Resource Center
 Louisiana Federation of Teachers
 Special Education District #1
 Rapides Federation of Teachers/School Employees
 Louisiana Board of Regents
 Saint Bernard Parish Sheriff's Office
 W. O. Moss Regional Hospital
 Associated Professional Educators of Louisiana
 Louisiana Educational Television Authority
 Louisiana Universities Marine Consortium
 Court of Appeal, Fourth Circuit
 Jefferson Parish Council
 Council for the Development of French in Louisiana
 Louisiana Systematic Initiative Program
 Allen Parish Assessor's Office
 Louisiana Public Service Commission
 E. A. Conway Medical Center
 Leonard J. Chabert Medical Center
 Earl K. Long Medical Center
 Huey P. Long Medical Center
 Calcasieu Sheriff's Department
 Florida Parishes Juvenile Detention Center
 City of Kenner
 Ware Youth Center
 Southeast Louisiana Hospital
 Louisiana State University/Lallie Kemp Medical Center
 UTNO Health and Welfare Fund
 Greenwell Springs Hospital
 Jefferson Parish Human Services Authority
 Caddo Federation of Teachers
 Saint Bernard Port, Harbor and Terminal District
 Paul M. Hebert Law Center

ALTERNATIVE RETIREMENT PLANS

- Optional Retirement Plan
- Deferred Retirement Optional Plan
- Option 5

OPTIONAL RETIREMENT PLAN

The Optional Retirement Plan (ORP) was created by La. R.S. 11:921 and implemented on July 1, 1990. This plan was designed to provide certain academic and unclassified employees of public institutions of higher education an optional method of funding for their retirement. Participants who are eligible for membership in the Teachers' Retirement System of Louisiana (TRSL) can make an irrevocable election to participate in the ORP, a defined contribution plan, rather than the TRSL defined benefit plan.

The ORP was modified by legislation passed in the 1995 session. The new act allowed ORP members to continue their participation in the ORP if they assumed a position at a school board or other agency that was covered by TRSL even though that agency was not an institution of higher education. Prior to the passage of this legislation, ORP members who terminated employment at an institution of higher education were ineligible to continue their ORP membership if they were employed outside higher education. This presented an inequity for those members as they were ineligible to ever participate in the regular retirement plan of TRSL.

The ORP provides for portability of assets and full and immediate vesting of all contributions submitted on behalf of the affected employees to the approved providers. These providers are selected by the Board of Trustees of Teachers' Retirement System of Louisiana. Monthly contributions, remitted by both the employers and the employees, are invested to provide the employees with future retirement benefits. The amount of these benefits is entirely dependent upon the total contributions and investment returns accumulated during the employees' working lifetime.

Employees participating in the ORP select individual annuity contracts which may be fixed or variable or both. In the fixed annuity, contributions are allowed to accumulate over a period of years until retirement and earn interest at varying amounts dependent upon prevailing market rates. As a conservative investment, the fixed annuity provides for both the return of principal and payments of interest.

Although the variable annuity may involve additional risk, it can also provide the employees with more opportunities to enhance

their investment returns. Contributions can be invested in a variety of assets, such as stock funds, bond funds, money market accounts, etc. As the cash value of the variable annuity is dependent upon the investment results of the selected funds, a member's account value can fluctuate from year to year.

At June 30, 1998 and 1997, employees joining ORP consisted of:

	<u>1998</u>	<u>1997</u>
Members of TRSL joining ORP	156	112
New employees joining ORP	1,244	981
	<u>1,400</u>	<u>1,093</u>

At June 30, 1998 and 1997, the amounts transferred to ORP were:

	<u>1998</u>	<u>1997</u>
Amounts previously held in TRSL reserves	\$ 398,023	\$ 311,211
Contributions	39,479,100	38,681,887
	<u>\$39,877,123</u>	<u>\$38,993,098</u>

At June 30, 1998 and 1997, member and employer contribution rates were:

<u>Member</u>	<u>1998</u>	<u>1997</u>
Member contribution rate (applicable for ORP transfers)	7.900%	7.900%
Member contribution rate (administrative fee - TRSL)	0.100%	0.100%
	<u>8.000%</u>	<u>8.000%</u>
<u>Employer</u>	<u>1998</u>	<u>1997</u>
Employer contribution rate (normal cost is applicable for ORP transfers)	7.019%	6.956%
Unfunded rate (retained by TRSL)	9.381%	9.344%
	<u>16.400%</u>	<u>16.300%</u>

DEFERRED RETIREMENT OPTION PLAN

The Deferred Retirement Option Plan (DROP) was first implemented on July 1, 1992 with the passage of Louisiana Revised Statutes 11:786 by the legislature. Under the DROP, a member is allowed to accumulate his retirement benefits in a special reserve fund and yet still continue his employment and draw his salary. During this period of employment, no contributions are made to TRSL by either the member or by the employing agency. After termination of employment, the member not only receives his regular monthly retirement benefit, but also receives the amount accumulated in the DROP fund, either as a total distribution or as an additional monthly annuity.

In the original DROP, participation in the program could not exceed two years; however, the DROP was modified on January 1, 1994 to allow for a three-year period of participation. This longer period of participation permits the members to accumulate additional funds in planning for eventual retirement from the work force.

All monthly deposits to the DROP accounts are sheltered from taxes until withdrawal from the account after termination of employment. If the withdrawal is made in a single sum or for a period of less than ten years, the member has the option of "rolling over" the withdrawn funds to an individual retirement account (I.R.A.), individual retirement annuity, or to another qualified plan. Certain restrictions do apply. A careful study of all provisions of the DROP should be made by the member in order to determine what is best for his particular situation. TRSL suggests that members consult with their tax accountants prior to making a withdrawal selection.

All information printed above is presented as a summary only and is not intended to be a substitute for any language contained in the law.

	1998	1997	Percent Increase (Decrease)
Members Entering DROP	1,827	1,624	13%
Disbursements	\$ 46,266,624	\$ 39,260,488	18%
DROP Reserves at June 30	\$339,153,719	\$271,939,965	25%

OPTION 5

The Option 5 program became effective on January 1, 1996. Retiring members who had not participated in the Deferred Retirement Option Plan (DROP) could choose the Option 5 alternative which provided both a one-time single sum payment of up to 36 months of a regular maximum monthly retirement benefit, plus a reduced monthly retirement benefit for life. The amount of the monthly benefit for life is based upon the amount of the single sum payment, the member's age at the time of retirement, and an actuarial reduction.

As with the DROP program, the member has several choices pertaining to the distribution of the single sum payment

- The member may receive the entire amount less twenty percent federal income tax withholding.
- The member may roll over the entire amount to an individual retirement account, an individual retirement annuity, or another qualified plan.
- The member may begin a period of monthly or yearly withdrawals of the amount. However all withdrawals are subject to the same tax laws that apply to the DROP.

	1998	1997	Percent Increase (Decrease)
Members choosing Option 5	159	202	(21%)
Disbursements	\$6,272,739	\$7,607,232	(18%)
Option 5 Reserves at June 30	\$1,288,811	\$ 733,535	76%

DROP/OPTION 5 ACCOUNT INTEREST RATES

FISCAL YEAR ENDING JUNE 30	1993	1994	1995	1996	1997	1998
INTERST RATE	11.95%	8.70%	5.22%	16.59%	12.32%	20.28%

The Teachers' Retirement System of Louisiana is an equal opportunity employer and complies with the Americans with Disabilities Act.

LSU Graphic Services, 3555 River Road, Baton Rouge, LA 70803, printed a total of 1,000 copies of this annual report at a total cost of \$7,473.39. The Teachers' Retirement System of Louisiana published this report to make public the System's financial operations. This report was printed in accordance with R.S. 43:31B.



Teachers' Retirement System of Louisiana
P.O. Box 94123
Baton Rouge, LA 70804-9123

Bound Printed Matter
Bulk Rate
U.S. Postage Paid
Baton Rouge, LA
Permit No. 1716

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

H. DANIEL GARROLD, C.P.A.
ROBERT E. WATTS, C.P.A.
J. CHARLES PARKER, C.P.A.
LOUIS C. McKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
CHARLES R. PEVEY, JR., C.P.A.
DAVID J. BROUSSARD, C.P.A.



RECEIVED
SEP 15 11 3:20

ROBERT B. HAWTHORN, C.P.A.
(1896-1977)
JOHN F. WAYMOUTH, C.P.A.
(1902-1987)
HOWARD V. CARROLL, C.P.A.
(1909-1993)

CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD.
BATON ROUGE, LOUISIANA 70809
(504) 923-3000 • FAX (504) 923-3008

WARREN C. BIER, C.P.A.
RETIRED
ROBERT J. ZERNOLI, C.P.A.
RETIRED
CARL L. HANCOCK, C.P.A.
RETIRED

September 24, 1998

**Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Trustees
Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana

Members of the Board:

We have audited the component unit financial statements of the

**Teachers' Retirement System of Louisiana
Baton Rouge, Louisiana**

as of and for the year ended June 30, 1998, and have issued our report thereon dated September 24, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Teacher's Retirement System of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Teacher's Retirement System of Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over

financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use of the Board of Trustees, the State of Louisiana Division of Administration, the Office of the Legislative Auditor of the State of Louisiana, and management. However, this report is a matter of public record and its distribution is not limited.

Yours truly,

Hawthorn, Wymouth & Carroll, L.L.P.